THE OECD TAX-BENEFIT MODEL FOR ROMANIA

Description of policy rules for 2019
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Preface

This report provides a detailed description of the tax and benefit rules in Romania as they apply to individuals of working age and their dependent children. It also includes outputs from the OECD Tax-Benefit model (TaxBEN), which puts all these complex rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the disposable income of families in different labour-market circumstances.

TaxBEN calculates tax liabilities and benefit entitlements 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. Users can access the model through a user-friendly web interface that allows changing many of these family and individual characteristics. Available options include the age and number of children, the economic activity of adult members, working hours, wage rates, unemployment durations, and years of social security contributions. The OECD has updated the model annually since 2001 for most OECD and EU 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 as well as maternity and parental leaves benefits 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 policy rules that are relevant for family, individual and labour market circumstances that are within the scope of the TaxBEN model. 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 are not included in the 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, 2019.
- 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 2019

1. Reference wages

Average wage $[\text{AW}]$: The average full-time annual gross wages used in the OECD tax-benefit model are available here.\textsuperscript{1} To date, the reference wage used in the model for Romania 2019 is LEI 61956.\textsuperscript{2}

The annual minimum gross guaranteed wage\textsuperscript{3} $[\text{MIN}]$ as of January 1\textsuperscript{st} 2019 is:

- LEI 24960 for employees with secondary education;
- LEI 28200 for employees with higher education. This amount applies to those working for at least one year in a position that requires a higher education degree in the respective field;
- 36000 LEI for employees working in the construction sector (Section F of NACE Rev.2). This is the value used in the OECD tax-benefit model.

2. Unemployment benefits

2.1. Unemployment indemnity ($\text{Indemnizatia de somaj}$)

Variable names: $[\text{UI}_p; \text{UI}_s]$

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 the Unemployment insurance system and stimulation of employment. 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 conditions are satisfied when calculating unemployment benefit entitlements:$[4]$

\textsuperscript{1} Average Wages are calculated in line with the methodology developed by the Centre for Tax Policy and Administration. For more information on methodology, see the latest Taxing Wages publication.

\textsuperscript{2} This value is from the 2019 State Budget Law. Romania provides average wage estimates for the current year (T) in February T+1 (provisional estimate) and September T+1 (final estimate). Average wage provisional estimates are calculated from the Monthly Survey on Wages and Salaries (enterprises with 4+ employees). Average wage final estimates are calculated from the Labour Cost Survey (all class sizes). Please refer to the link in the text for the most up-to-date average wage used in the TaxBEN model for Romania 2019.

\textsuperscript{3} For more details, please see here.

\textsuperscript{4} Details on behavioural requirements and sanction provisions for unemployment benefits are available in regularly updated companion OECD reports.
1. The person is registered at one of the territorial National Agencies for Employment of the jurisdiction they reside.
2. 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;
3. 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;
4. Participate in the employment and vocational training services provided by the employment agency where they are registered;
5. Actively seek a job;
6. 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.

Unemployment benefit recipients must fulfill also the following conditions (TaxBEN assumes that they are always met):

1. The labour contract/agreement ceased due to reasons not attributable to them; they have at least 16 years old, do not have the standard retirement age and do not fulfill the conditions for retirement;
2. They signed an unemployment insurance contract; do not have a job and have no income, or make an income from authorized activities that is lower than the value the Reference Social Indicator (RSI). The value of this indicator for 2018 is LEI 500;
3. They have physical and mental capabilities makes them suitable for performing a work.

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;
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;

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5 Law no.76/2002 with subsequent amendments includes, among the others, the following conditions: non-Romanian jobseekers have obtained the refugee status or another form of international protection; are foreign citizens or stateless persons who have been employed or have earned income in Romania, or have the right to work on Romanian territory. Jobseekers could not find/obtain a job after repatriation or release from detention.
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 contributions

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).

Figure 1. Unemployment insurance by month of receipt and previous earnings

Note: Results for single person of 40 years old without children. Source: OECD tax-benefit model, 2019.

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6 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 throughout the National and Territorial Agencies for Employment in behalf of the unemployed persons (transfers between social protection schemes).
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.

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. 416/2001);

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 or more of the family members / lone person who are capable of work must perform a certain number of socially useful working

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7 in force from January 1st 2002 until March 31st 2021 when will be repealed by Law 196/2016 on minimum inclusion income
9

hours (administrated by the municipality). An exception to this rule is for families / lone persons for which the social aid calculated is up to LEI 50 / month. For them, the working hours are set every three months 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 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 working hours are allocated to each member of family entitled to the social aid who is able to work.

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 municipality, 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:

<table>
<thead>
<tr>
<th>Family composition type</th>
<th>Guaranteed minimum income (Lei)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single (0.283*500 lei)</td>
<td>142</td>
</tr>
<tr>
<td>2 persons (0.510*500 lei)</td>
<td>255</td>
</tr>
<tr>
<td>3 persons (0.714*500 lei)</td>
<td>357</td>
</tr>
<tr>
<td>4 persons (0.884*500 lei)</td>
<td>442</td>
</tr>
<tr>
<td>5 persons (1.054*500 lei)</td>
<td>527</td>
</tr>
<tr>
<td>More than 5 persons (0.073*500 lei)</td>
<td>527 + 37 for each person above 5</td>
</tr>
</tbody>
</table>

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.

The amounts above are increased by 15% if there is at least one working adult in the household.

As of 2015, there is a minimum Social Aid of 10 LEI per month (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 incomes sources are taken into account (after the deduction of income tax liabilities and employee social
security contributions), including all family allowances and social benefits with the following exceptions:

- The monthly state allowance for children (Section 4.1),
- The allowance for family support (Section 4.2),
- The monthly complementary budget and social indemnities for persons with disabilities,
- All types of scholarships and educational incentive (including tickets for kindergarten)
- Income earned from occasional activities of day labourers, and some other financial support granted as compensations in exceptional circumstances.

Assets of the family are also evaluated. There is a list of assets leading to the exclusion of the right in the Annex of the Government Decision no.50/2011.

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 amounts shown in the table of Section 3.1.2 are increased by 15% if there is at least one working adult in the household (Article 6 paragraph (1) Law no. 416/2001). The increase applies to all households where there is at least one working person. The increase has an indefinite duration and is independent from the requirement that the household member starts a new job while receiving SA.

Incomes earned from occasional activities of day labourers are not taking into account establishing the guaranteed minimum income.

**Figure 2. Social assistance by earnings levels and family type**

![Graph showing social assistance by earnings levels and family type.](image)

*Note: At the zero-earning point, both adults are assumed to be out of work without receiving unemployment benefits. Children are aged 4 and 6 where applicable.*

*Source: OECD tax-benefit model, 2019.*
4. Family benefits

Variable name: [FB]

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

Variable name: [fb_msa]

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 completion).

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, i.e. about EUR 50) for children under the age of two (3 years old in case of disabled children) and to 84 LEI (0.168*500, i.e. about EUR 19) for those older than two years.

According to Government Emergency Ordinance no.9/2019, the amount of the allowance for children increase from 84 lei to 150 lei and from 200 lei to 300 lei, since 1st of April 2019. This reform will be implemented in the OECD tax-Benefit model for 2020.

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.

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

The benefit can be received together in any other benefit. It is not accounted as income in the income-test for social assistance.

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

Variable name: [fb_fsa]

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

4.2.1. Eligibility conditions

The programme for granting family allowance is stipulated by law no. 277/2010. Allowance for family support is a means tested benefit, paid for single parent family and for those

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

9 The law no. 277/2010 will be repealed by article 6 of Law 196/2016 on minimum inclusion income starting with 1st of April 2021
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 parent\(^{10}\) family concept is defined as:

- one person and his/her children in care who live together in the same household (article 2, 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*500 lei):

- 82 lei for families with 1 child (0.1640*500 lei)
- 164 lei for families with 2 children (0.3280*500 lei)
- 246 lei for families with 3 children (0.4920*500 lei)
- 328 lei for families with 4 and more children (0.6560*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*500 lei >=1.06*500 lei):

- 75 lei for families with 1 child (0.1500*500 lei)
- 150 lei for families with 2 children (0.3000*500 lei)
- 225 lei for families with 3 children (0.4500*500 lei)
- 300 lei for families with 4 and more children (0.6000*500 lei) (article 5, paragraph (2), 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*500 lei):

- 107 lei for families with 1 child (0.214*500 lei)
- 214 lei for families with 2 children (0.428*500 lei)
- 321 lei for families with 3 children (0.642*500 lei)
- 428 lei for families with 4 and more children (0.856*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*500 lei >=1.06*500 lei):

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\(^{10}\) 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)
102 lei for families with 1 child (0.204*500 lei)
204 lei for families with 2 children (0.408*500 lei)
306 lei for families with 3 children (0.612*500 lei)
408 lei for families with 4 and more children (0.816*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. The method of determining the net income is the same as for the guaranteed minimum income (Section 3.1). Family assets are also part of the means test. There is a List of assets leading to the exclusion of the right, Annex to the Government Decision no.50/2011.

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 not accounted as income in the income-test for social assistance. The allowance for family support is not taken into account in the estimation of the monthly net income of the family/lone person, when the right to social aid is established.

Figure 3. Family benefits by type, earnings levels and family type

Note: At the zero-earning point, both adults are assumed to be out of work without claiming unemployment benefits. Children are aged 4 and 6 and 8 where applicable.

5. Net costs of Early Childhood Education and Care

This section provides information on the net costs of centre-based childcare for pre-school children aged between 1 and 3 years (included). The focus is on public childcare centres, i.e. centres owned and operated by public authorities at central, regional or local level.

In Romania, according to the Education Law no.1/2011, children aged between 0 and 3 years (included) can attend any of the following centres:

- Crèches, which are under the responsibility of Local Public Authorities (LPA). The Ministry of Education share some responsibilities with LPAs for the education component and the curriculum, as well as the training, employment and education of staff members. As of 2021, LPAs and the Ministry of Education share responsibilities also for the standard costs per child.
- Kindergartens (only for children between 2 and 3 years old), which are under the full responsibility of the Ministry of Education.
- Day-care centres, which are under the responsibility of LPAs and the National Authority for Child Protection and Adoption. These centres are for children under special protection measures.

According to the Education Law no.1/2011, children aged 3 to 6 years old attend kindergartens.

Childcare services for pre-school children are provided by both private and public centres.11 Compulsory schooling starts at 6 years old.

5.1. Gross childcare fees

In public crèches and kindergartens, parents pay for the cost of the meals.12 The Government Decision no. 904/2014 regulates the maximum daily cost of the meal in public crèches and kindergartens, which is 12 LEI. Across the country, the daily cost of the meal ranges between 8 and 12 LEI.

The gross childcare cost considered in the TaxBEN model is 12 LEI per day, which corresponds to an annualized amount of 720 LEI.13

For children in public crèches and kindergarten, which stay with their parents, facing different problematic situation (socio-economic status, many children, single parent etc.) local public authorities could support the cost for meals (integral or partially, depending of the data collected from the social welfare report.

5.1.1. Discounts for part-time usage

In case of part-time usage, i.e. maximum 5 hours per day, parents do not pay for the meals. They provide a sandwich, daily, for their children and teachers provide the time for serving it, during the school programme.

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11 Private centres are owned by profit-oriented companies or by non-profit organizations. They may be either fully self-financed or publicly subsidized.

12 In day-care centres the Government pays for the meals.

13 i.e. 12 LEI per day multiplied by the number of working day per week (5), times 52 weeks.
5.2. **Childcare benefits**

Variable name: [cc_benefit]

Childcare benefits are support measures that depend explicitly on the use of centre-based childcare: a family that does not use centre-based childcare is not eligible for this type of benefits. In general, childcare benefits take the following forms:

- Allowances related to the use of centre-based childcare (including the purchase of meals at the childcare centre);
- Tax concessions related to family expenditures on centre-based childcare;
- Top-ups or supplements to other cash benefits (e.g. social assistance or family benefits) in order to reduce the cost of centre-based childcare.
- Fee discounts / rebates (including fee provision) applied directly by the childcare centre to reduce the cost of the fees charged to parents in particular circumstances (e.g. for low-income families, large families, lone parents, etc.).

5.2.1. **Allowances for formal centre-based care**

There are no allowances for formal centre-based care in Romania.

5.2.2. **Child care allowance for children NOT using child care centres**

These benefits are conditional to NOT using childcare centres. Examples are home-care allowances for stay-at-home parents. There are no such benefits in Romania.

5.2.3. **Tax concessions for childcare expenditures**

There are no tax concessions for childcare expenditures in Romania.

5.2.4. **Fee discounts / rebates (including fee provision)**

Local public authorities in Romania can pay for the cost of meals (integarlly or partially, depending of the data collected from the social welfare report) for children in particular circumstances, e.g. low-income families, large families, lone parents, etc.

TaxBEN note: As these discounts are at the discretion of the individual kindergarten / crèches without any local or national regulations, they are not included in the TaxBEN model.

5.2.5. **Top-ups or supplements to other cash benefits**

There are no such top-ups or supplements to other cash benefits in Romania.

6. **Employment-conditional benefits**

None.

7. **Social security contributions and payroll taxes**

7.1. **Social security contributions payable by employees and benefit recipients**

Variable names: [SOCSEC_p; SOCSEC_s]

In accordance with the national legislation provisions in force\(^\text{14}\) the social security contribution and the social health insurance contribution paid by the employer were

\(^{14}\) GEO no. 79/2017 for amending and completing the Law no. 227/2015 on the tax code
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 earnings\textsuperscript{15}.

According to the national legislation (Law no. 227/2015 Fiscal Code with subsequent amendments), the employees pay 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 earnings\textsuperscript{16} for each year starting with 2008.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1550</td>
</tr>
<tr>
<td>2009</td>
<td>1693</td>
</tr>
<tr>
<td>2010</td>
<td>1836</td>
</tr>
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<td>2011</td>
<td>2022</td>
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<td>2018</td>
<td>4162</td>
</tr>
<tr>
<td>2019</td>
<td>5163</td>
</tr>
</tbody>
</table>

7.2. 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 budget\textsuperscript{17} (Art. 220^6, Law no. 227/2015)

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

\textsuperscript{15} Consequently, starting with 2018, the “average annual gross earnings” is no longer comparable with the data prior to 2018.
\textsuperscript{16} The average gross earnings is stipulated in Law no. 3 on social security budget for 2018 (Art. 15, Chapter III Final provisions)
\textsuperscript{17} 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.
## Compulsory social contributions and tax - comparative table -

<table>
<thead>
<tr>
<th></th>
<th>Until December 31&lt;sup&gt;st&lt;/sup&gt; 2017</th>
<th>Starting with January 1&lt;sup&gt;st&lt;/sup&gt; 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ individual contributions to unemployment</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Employees’ individual contributions to social security</td>
<td>10.5</td>
<td></td>
</tr>
<tr>
<td>Employees’ individual contributions to health insurance</td>
<td>5.5</td>
<td></td>
</tr>
<tr>
<td><strong>Employer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers’ contributions to the unemployment</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Employers’ contributions to the social security fund&lt;sup&gt;18&lt;/sup&gt;</td>
<td>15.8</td>
<td>20.8</td>
</tr>
<tr>
<td>Employers’ contributions to the health insurance</td>
<td>5.2</td>
<td>-</td>
</tr>
<tr>
<td>Employers’ contributions to sick leaves payments and indemnities</td>
<td>0.85</td>
<td>-</td>
</tr>
<tr>
<td>Employers’ contributions to risk and accidents fund&lt;sup&gt;19&lt;/sup&gt;</td>
<td>0.15 - 0.85</td>
<td>-</td>
</tr>
<tr>
<td>Employer's contribution to the guarantee fund for the payment of wage claims</td>
<td>0.25</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Employment insurance contributions paid by the employers to the general consolidated budget</td>
</tr>
</tbody>
</table>

Starting with 2018, individuals who carry out activities in the field of computer software, innovation or research and development pay no taxes. Starting with January 1 2019 and for a determined period, some exceptions were made for section F and some related divisions (Table below).

## Compulsory social contributions and tax (January 1 2019 – December 31 2028) – section F and some related divisions

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees’ social security contribution</td>
<td>21.25</td>
<td></td>
</tr>
<tr>
<td>Employees’ social health insurance contribution</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Tax</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Employer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employment insurance contributions paid by the employers to the general consolidated budget</td>
<td>0.337</td>
<td></td>
</tr>
</tbody>
</table>

<sup>18</sup>The 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. The OECD tax-benefit model uses the rate that applies o the normal working conditions.

<sup>19</sup>In accordance with the risk degree.
Note: In order to benefit from these reductions, the employers must make up at least 80% of their total turnover in activities from the construction domain. As this measure applies only to workers of the construction sector, it is outside the scope of the OECD tax-benefit model. The model for 2019 uses the general SSC rates above: 35% in total for employees and 2.225% in total for the employers.

8. Taxes

The tax unit is individual.

8.1.1. Personal income tax

Variable name: [INCTAX_p; INCTAX_s]

8.1.2. 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).

<table>
<thead>
<tr>
<th>Monthly gross salary (MGS) in Lei</th>
<th>Monthly standard allowance based on the level of the monthly salary and number of persons in care (Lei)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No person in care</td>
<td>1 person in care</td>
</tr>
<tr>
<td>1-1950</td>
<td>510</td>
</tr>
<tr>
<td>1951-2000</td>
<td>495</td>
</tr>
<tr>
<td>2001-2050</td>
<td>480</td>
</tr>
<tr>
<td>2051-2100</td>
<td>465</td>
</tr>
<tr>
<td>2101-2150</td>
<td>450</td>
</tr>
<tr>
<td>2151-2200</td>
<td>435</td>
</tr>
<tr>
<td>2201-2250</td>
<td>420</td>
</tr>
<tr>
<td>2251-2300</td>
<td>405</td>
</tr>
<tr>
<td>2301-2350</td>
<td>390</td>
</tr>
<tr>
<td>2351-2400</td>
<td>375</td>
</tr>
<tr>
<td>2401-2450</td>
<td>360</td>
</tr>
<tr>
<td>2451-2500</td>
<td>345</td>
</tr>
<tr>
<td>2501-2550</td>
<td>330</td>
</tr>
<tr>
<td>2551-2600</td>
<td>315</td>
</tr>
<tr>
<td>2601-2650</td>
<td>300</td>
</tr>
<tr>
<td>2651-2700</td>
<td>285</td>
</tr>
<tr>
<td>2701-2750</td>
<td>270</td>
</tr>
<tr>
<td>2751-2800</td>
<td>255</td>
</tr>
<tr>
<td>2801-2850</td>
<td>240</td>
</tr>
<tr>
<td>2851-2900</td>
<td>225</td>
</tr>
<tr>
<td>2901-2950</td>
<td>210</td>
</tr>
<tr>
<td>2951-3000</td>
<td>195</td>
</tr>
<tr>
<td>3001-3050</td>
<td>180</td>
</tr>
<tr>
<td>3051-3100</td>
<td>165</td>
</tr>
</tbody>
</table>
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 monthly gross salary that is relevant for the calculation of the monthly standard allowance is calculated by rounding the amount at ten, in the sense that fractions under ten are made ten. (i.e. 235 Lei is transformed in 240 Lei).

The monthly standard allowance for two-earner couples with children is applied to one parent only, the one with lower gross earnings.

8.1.3. 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).

8.1.4. 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%.

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Romania 2019 (Figure 4). TaxBEN by default produces the following output: 1) net household incomes (black lines) and 2) related income components (coloured stacked areas) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances using the online web calculator). Figure 4 shows outputs for four scenarios:

- By current hours of work for an employee with an hourly wage rate equal to the average wage (Panel A);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (Panel B);
- By previous gross earnings levels, for a jobseeker claiming unemployment benefits (Panel C);
- By previous employment record, for a jobseeker claiming unemployment benefits (Panel D).

The stacked areas shows the household income components. Note that each component can contain more than one benefit. The table of content of this report describes which benefit is included in each category.
Results in Figure 4 refer to a couple with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes shows the net household incomes of a couple where the ‘first adult’ is employed full-year at different working hours ranging between 1% and 100% of full time work (with a fixed hourly wage rate equal to the average hourly wage). The second adult is out of work and not eligible for unemployment benefits (e.g. because they have expired).

Panels B to D assume that the first adult is out of work and claiming unemployment benefits whereas the second adult is also out of work but not claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The x axis in Panel B measures the time of unemployment benefit receipt, starting from the first month. The x axis in Panel C shows the annual amount of previous in-work earnings (before any social contributions) as a percentage of the average wage. Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D considers the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

All results assume a (fixed) private market rent plus other relevant housing costs amounting to 20% of the full-time average wage in all four scenarios.

Figure 4. Selected output from the OECD tax-benefit model

Couple with two children.
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. 75^1, 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 73^1 paragraph (1) Law no.76/2002).

**Heating benefits**

The programme for heating benefits during the cold season (Emergency Government Ordinance no. 70/2011
d 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 maternity benefits for a period of 126 days including pregnancy leave 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).

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20 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 2021

21 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
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 2.5 ISR (ISR = Reference Social Indicator- 500 lei), but no more than 8,500 lei/monthly.

In case of twin or multiples pregnancy, the level of monthly indemnity provided is increased with 2.5 ISR for each child born, 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, receive incomes subject to taxation, are entitled to a monthly incentive insertion. The incentive insertion is granted to persons entitled to benefit from the child raising indemnity if the parent decides to come back to work. If the parent decided to come back to work 60 days before the child fulfils the age of 2 years old, the incentive insertion is granted until the age of 3 years old or the age of 4 years old in case of disabled child in a monthly amount of 650 lei, starting with April 2017.

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.