

THE OECD TAX-BENEFIT DATABASE

Description of policy rules for
Romania 2022



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Description of policy rules for 2022

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Table of contents

Preface	4
The OECD tax-benefit model for Romania: Policy rules in 2022	1
1. Reference wages	1
2. Unemployment benefits	1
2.1. Unemployment Indemnity (Indemnizatia de somaj)	1
2.2. Unemployment assistance	4
3. Social assistance and housing benefits	5
3.1. Guaranteed minimum income (Schema privind venitul minim garantat: ajutorul social pentru asigurarea venitului minim garantat)	5
3.2. Housing benefits for rented accommodations	10
4. Family benefits	10
4.1. Monthly state allowance for children (Alocația lunară de stat pentru copii)	10
4.2. Allowance for family support (Alocația pentru susținerea familiei)	11
5. Net costs of Early Childhood Education and Care	13
5.1. Gross childcare fees	14
5.2. Childcare benefits	15
6. Employment conditional (in-work) benefits	16
7. Social security contributions and payroll taxes	17
7.1. Social security contributions payable by employees and benefit recipients	17
7.2. Social security contributions payable by employers	17
8. Taxes	19
9. Selected output from the OECD tax-benefit model (TaxBEN)	21
Annex 1: Other benefits and direct taxes	23
A.1 Unemployment benefit for people assimilated as unemployed	23
A.2 Installation and relocation allowance	23
A.3 Bonus for new employment for graduates of educational institutions	24
A.4 Maternity Benefits	24
A.5 Indemnity for maternal/parental leave	24
A.6 Heating benefits	25
A.7 Sickness Benefit (Prestații de boală)	28
A.8 Mandatory employer sick pay	30
Annex 2: COVID-related measures in the context of the COVID-19 pandemic	31

Preface

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

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families (“vignettes”), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click [here](#) for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)



[TaxBEN web calculator](#)



[Methodology and user guide](#)



[OECD tax-benefit data portal](#)



[Network of national experts](#)

Guidelines for updating this report (for national experts)



[General guidelines](#)

Detailed [guidelines for updating Section 5](#) “Net costs for Early Childhood Education and Care”

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2022**.
- The symbol  in the text provides a link to the 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.
- **TaxBEN** variables are indicated in the text using the format [\[variable name\]](#)
- Text in [blue font colour](#) identifies COVID-related measures that were still in place on the reference policy date of this report.

The OECD tax-benefit model for Romania: Policy rules in 2022

1. Reference wages

- Average wage **[AW]**: The average full-time annual gross wages used in the OECD tax-benefit model (TaxBEN).¹ *Provisional* estimates of the Average Wage for the current policy year (2022) are released in February of the next year (2023). *Final* estimates are released in September of the next year (2023).²

The Average Wage value that enters the TaxBEN calculations for 2022 when the *final* estimate is not yet available is calculated using the most recent provisional/final estimate updated with the latest available EU official forecast of the GDP component ‘Compensation of employees / head’. Please refer to the latest TaxBEN wage file ([here](#)) for the Average Wage values that enter the TaxBEN calculations for Romania (for all available years).

The Table below provides information on recent Average Wage values.

	State Budget Law	Provisional estimates	Final estimates
2019	61956	57168	54384
2020	65148	60660	58512
2021	64560	66120	62952
2022	73140		

- Minimum wage **[MIN]**: the annual full-time minimum gross wage that enters the OECD tax-benefit model (TaxBEN). Romania applies different full-time minimum wage values depending on the employee’s sector of economic activity (see [here](#) for details). As of the 1st of January 2022, the reference annual minimum wage is 36000 Lei for the employees working in the construction sector (Section F of NACE Rev.2)³. For all the other sectors, the annual minimum wage value is 30600 Lei.

OECD note: the value that enters the TaxBEN model is that for employees working in the construction sector.

2. Unemployment benefits

2.1. Unemployment Indemnity (*Indemnizatia de somaj*)

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

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](#).

² The *provisional* estimate of the average wage is calculated from the Monthly Survey on Wages and Salaries (enterprises with 4+ employees). *Final* Average Wage estimates are calculated from the Labour Cost Survey (all class sizes). The provisional and final data refers to the economic sections B to N NACE Rev. 2.

³ Plus some related economic activities (NACE Rev.2 classes): 2312; 2331; 2332; 2361; 2362; 2363; 2364; 2369; 2370; 2223; 1623; 2512; 2511; 0811; 0812; 2351; 2352; 2399; 7111; 7112.

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 Law no.76/2002 on the Unemployment insurance system and stimulation of employment, 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 conditionsⁱ:⁴

1. The person is registered at one of the territorial National Agencies for Employment of the jurisdiction they reside.
2. Appears on a monthly basis, on a scheduling basis or whenever requested, at the employment agency to which is registered, in order to receive support with a view to being employed;
3. Communicates within 3 days to the employment agency any changes in the conditions that led to granting of the unemployment benefits;
4. Participates in the employment stimulation and vocational training services provided by the employment agency;
5. Actively seeks a job;
6. Notifies in writing the employment agency of the occurrence of the temporary incapacity to work and the personal identification data, respectively the name of the prescribing physician and the unit in which he/she operates, within 24 hours from the date of granting the medical leave. If the temporary incapacity to work occurred on non-working days or if the 24-hour term is fulfilled on non-working days, the person receiving unemployment benefit has the obligation to notify the employment agency at which are registered on the first business day.

OECD note: the TaxBEN calculations assume that the persons claiming the unemployment indemnity comply with the obligations above.

Unemployment benefit claimants must fulfil also the following conditions:⁵

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 fulfil the conditions for retirement;
2. They signed an unemployment insurance contract;
3. They do not have a job and have no income, or make an income from authorized activities that is lower than the value of the Reference Social Indicator (Section 3.1 for details).
4. Their physical and mental capabilities make them suitable for work.

⁴ Details on behavioural requirements and sanction provisions for unemployment benefits are available in regularly updated [companion OECD reports](#).

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 or are in the procedure of solving the asylum application and have access to the labour market, according to law; 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.

OECD note: the TaxBEN calculations assume that the persons claiming the unemployment indemnity comply with the obligations above.

2.1.2. *Benefit amount*

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

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

1. 75% from the value of RSI for the persons that contributed at least 1 year;
2. in addition to the above sum, a certain amount is provided based on the calculation of the average gross basic salary earned during the last 12 months of contributions, multiplied with the percentage determined by the duration of 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 (Section 1).

Frequency/periodicity of benefit payments: monthly.

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).

The unemployment benefits are also provided to graduates of educational institutions for a period of 6 months and in a fixed monthly amount equal to 50% of the RSI.

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.⁶

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

According to Article 44, letter f), Article 45 letter f)-g) of Law no.76/2002, UI cannot be cumulated with the following benefits: invalidity pension (*pensie de invaliditate*),

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

temporary work incapacity benefit (*indemnizație pentru incapacitate temporară de muncă*), maternity benefit (*indemnizație pentru maternitate*), Child-Raising Benefit (*indemnizație pentru creșterea copilului*).

Combining UI with the following benefits is permitted (under the terms of these benefit rules): guaranteed minimum income (Section 3), heating allowances (*ajutoare pentru încălzire*), monthly state allowance for children (*alocația lunară de stat pentru copii*), and the allowance for family support (*alocația pentru susținerea familiei*).

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

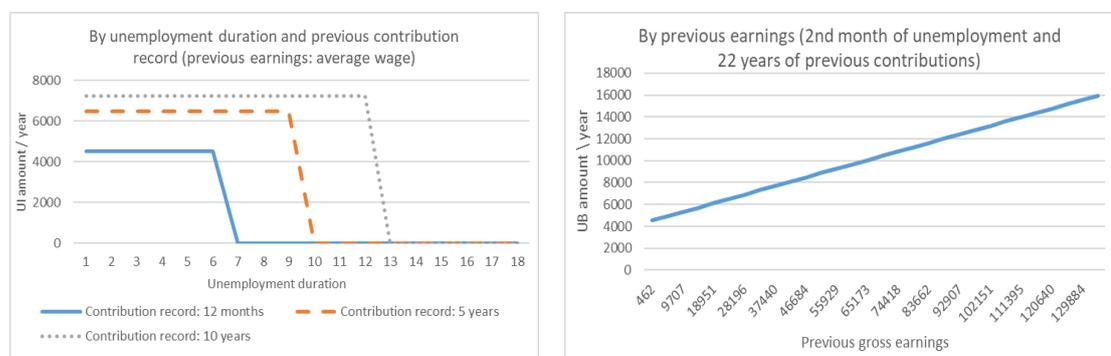
When taking up work, 30% of the unemployment benefit is paid on a monthly basis until the end of the entitlement period (Art 72, paragraph 1). In line with the UI amount received out of work, also the amount received when taking up employment is not included in the income tax base (section 8.1.3)

If a jobseeker who takes up work becomes unemployed again, any contribution periods that gave right to the previous unemployment benefit entitlements is not taken into account when determining the new benefit entitlement. In other words, the accrual of contributions requirements is set automatically restarts from zero when a jobseeker finds a new job.

2.1.8. Indexation

The amount of the Reference Social Indicator (RSI) that enters the calculation of the UI amount is adjusted ex officio, every year, on the 1st March, with the average annual inflation rate of the previous year (if negative, the last value of the RSI is kept).

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, 2022.

2.2. Unemployment assistance

OECD note: In many OECD countries, jobseekers who do not qualify for Unemployment Insurance (UI – Section 2.1), or whose entitlement to UI is low or has expired, can claim Unemployment Assistance (UA – this section) and/or Social Assistance benefits (SA – Section 3). UA and SA are similar but not identical programmes. While they are typically both means tested at the household level, they serve different purposes and reach different target groups. For instance, while the main purpose of UA is to encourage the labour market reintegration of jobseekers who have exhausted or are not eligible to the standard UI benefit, the purpose of SA programmes is to provide an acceptable standard of living for families unable to earn sufficient incomes from other sources. Conditions for UA typically include requirements to register with the public employment service and participate in active job search in a similar way as for UI. This is *not always* the case for SA benefits, for

which low income is the key entitlement criterion and activation requirements *exist only for those who are capable of work*.

According to the definition above, Romania does not currently operate a national UA programme. Instead, financial support to jobseekers who have exhausted or are not eligible to the standard unemployment insurance programme is provided through the social assistance programme described in Section 3.

3. Social assistance and housing benefits

3.1. *Guaranteed minimum income (Schema privind venitul minim garantat)*

Variable name: **[SA]**

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. 416/2001⁷);
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;

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

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 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.⁸

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 depends on the value of the Reference Social Indicator (RSI). As of 1st March 2022, the RSI amount is adjusted automatically to the annual average inflation rate, thus leading to a change in the monthly levels of the GMI amount.

The average monthly RSI that applies in 2022 is 525.5 lei.

The maximum monthly levels of the guaranteed minimum income are calculated as follows.

Table 1. Maximum monthly level of guaranteed minimum income

Family composition type	Guaranteed minimum income (LEI)
Single (0.283*RSI)	149
2 persons (0.510*RSI)	269
3 persons (0.714*RSI)	376
4 persons (0.884*RSI)	465
5 persons (1.054*RSI)	554
More than 5 persons (0.073*RSI lei)	554 + 38,36 for each person above 5

The amount of guaranteed minimum income is the difference between the above-mentioned maximum amounts and the “monthly net income” of a family/single person (section 3.1.4).

Earnings from *occasional* work activities of day labourers are *not* taken into account when assessing the eligibility for the benefit or when calculating the monthly net income of the family or single person (for those who are eligible).⁹

Earnings from *stable* work activities, i.e. those based on a formal employment contract, do not affect eligibility for social aid but are fully taken into account when calculating the monthly net income of the family or single person. Specifically, these earnings are

⁸ The working hours shall be calculated in proportion to the amount of social aid that the family or lone person benefits can provide, 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.

⁹ Law no. 416/2001, article 8 paragraph (1), the earnings from occasional work activities of day labourers are not take into account when determining the monthly net income of the family or single person.

fully subtracted from the maximum amounts listed in Table 1. Thus, earnings from work do not affect the eligibility for social aid (unless they are high enough that the overall “monthly net income” is above the maximum amounts listed in Table 1) but only the amount of the aid.

Until September 2021, the final amount of social aid (i.e. the difference between the maximum GMI amounts listed in Table 1 and the reference net monthly income) was increased by 15% if the recipient or any other family members were engaged in stable work activities. As of September 2021, this provision no longer applies. Instead, benefit recipients can maintain eligibility for social aid for a period of 6 months from the date of employment, if the employment relationship is for a period of at least 24 months.¹⁰ After these six months, benefit recipients will maintain the eligibility for social aid but the earnings are fully subtracted from the benefit amount.

Box 1. Explanatory example of the September 2021 reform

Consider a jobless single person receiving GMI. Let us assume that this person finds stable employment, e.g. with a 24-month contract. Let us also assume that the annual earnings of this person are particularly low, e.g. because the contract requires this person to work only 1 or 2 hours per day at the minimum hourly wage.

Before September 2021

The person described in the example keeps the eligibility for GMI after he or she takes up stable employment. The earnings from the new job are fully subtracted from the maximum GMI amount and the new net benefit entitlements (if any, considering the subtraction of the earnings made in the new job) are increased by 15%.

After September 2021

The person described in the example keeps the eligibility for GMI after he or she takes up stable employment. GMI amounts are no longer increased by 15%. However, the earnings in the new job are NOT subtracted from the maximum GMI amount (Table 1) during the first 6 months of employment. After these 6 months, the earnings from work are fully subtracted from the maximum GMI amount and the final GMI entitlement is no longer increased by 15%.

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).

Frequency/periodicity of benefit payments: monthly.

3.1.3. Benefit duration

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

3.1.4. Means test

The GMI benefit is means tested.

When determining the net monthly income of the family or, of the single person, all the incomes achieved in the month prior to submitting the application are taken into account, including the incomes from work/employment contract.

¹⁰ Government emergency Ordinance no. 101/2021 enacted in September 2021 ensured the revision of the GMI programme but not the revision of the unemployment insurance (section 2). GEO 101/2021 includes only a slight change for the unemployment insurance programme (art. 5 pct. IV⁴ from Law no. 76/2002), which extend the age for young NEETs.

The monthly net income that enters the means test of the GMI benefit includes all income sources of the family, net of taxes and social security contributions. Specifically, the reference income includes the “net monthly earnings”, i.e. the earnings from work of all the family members *after* the deduction of income tax liabilities (section 8.1) and employee social security contributions (section 7). It also includes the amount of the unemployment indemnity (Section 2.1) as well as selected family allowances and other social benefits (most of them described in the Annex).¹¹ Excluded income components are:

- 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),
- Heating benefits (Annex)
- Income earned from occasional activities of day labourers, and some other financial support granted as compensations in exceptional circumstances.

The net family income is compared with the maximum benefit amounts listed in Table 1. If the net family income is below the maximum benefit amount, the benefit is calculated as the difference between the above-mentioned amounts and the net income of a family/single person, otherwise the benefit is zero.

Assets of the family are also evaluated. The evaluation is made to establish the eligibility for social aid, not to calculate the amount of the aid. The lists of assets that leads to the exclusion of the social aid is published as Annex 4 of the Government Decision no. 50/2011. It includes:

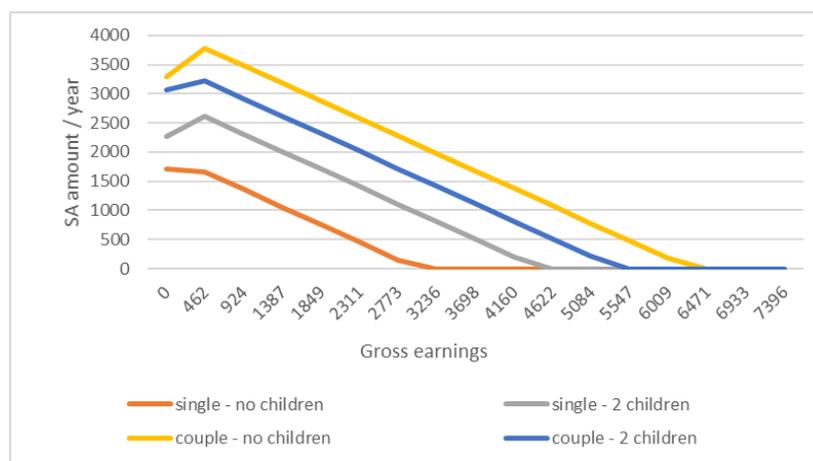
- buildings or other living spaces outside the domicile and the household annexes;
- plots of land surrounding a house and the associated grounds as well as other plots of land in urban areas which have an area exceeding 1000 square metres in urban areas and 2000 square metres in rural areas, except for lands in the hill or mountain area that do not have potential for capitalization through sale/construction/agricultural production.
- a car (or cars) and/or motorcycle (or motorcycles) less than 10 years old, except those which have been adapted for disabled persons or are intended to transport them as well as for the use of the persons who are living in hard to reach areas;
- more than one car / motorcycle older than 10 years
- vehicles: vans, trucks of any kind with or without trailers, caravans, buses, minibuses;
- boats, motor boats, water scooters, yachts, except the boats necessary for the use of persons living in the Biosphere Reserve "Danube Delta.
- agricultural machinery: tractor, self-propelled combine harvester;
- wood processing machinery: sawmill or other hydraulically, mechanically or electrically-operated wood processing machinery;

¹¹ The ‘family allowances’ mentioned in the text include, among the others, the parental leave and child raising indemnity, the accommodation allowances for those who adopt a child, and placement allowance for the foster parents. These allowances are outside the scope of the OECD TaxBEN model and currently not described in the Annex.

- bank deposits exceeding RON 3,000, except the interest;
- areas of land, animals and birds whose net annual production value exceeds EUR 1,000 for a single person or EUR 2,500 for a family.¹²

If one or more goods included in annex no. 4, owned by the single person/family, is given in rent/lease/concession (or other legal form of transfer of use of the goods), this goods will be taken into account for the person/family who has it for rent/lease/concession. However, the income obtained following the assignment of the right to use the property will be included in the income test of the right owner.

Figure 2. Social assistance by earnings levels and family type



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, 2022.

3.1.5. Tax treatment

Not taxable

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

The benefit is compatible with the receipt of unemployment insurance benefit (Section 2.1) and the family benefits described in Section 4.

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

Incomes earned from *occasional* activities of day labourers are not taken into account when establishing both the eligibility and the amount of the guaranteed minimum income.

As of September 2021, benefit recipients can maintain eligibility to social aid for a period of 6 months from the date of employment if the employment relationship is for a period of at least 24 months.¹³

¹² In order to determine the amounts mentioned in the text, the mayors use the net production value of land, animal and birds established by the Ministry of Agriculture and Rural Development, for determining the economic development unit. In the situation where the land areas owned by the applicant, regardless of their quality, are not cultivated, for their evaluation shall be taken into account the lowest net value that may result from the evaluation.

¹³ Government Emergency Ordinance no. 101/2021 for amending and supplementing the Law no. 76/2002 on the unemployment insurance system and employment stimulation and Law no. 416/2001 on the guaranteed minimum income.

3.2. *Housing benefits for rented accommodations*

The main purpose of the housing benefits that are within the scope of the OECD TaxBEN model is to reduce the rental costs for families who live in privately rented accommodations. Cash support for housing costs other than rent, e.g. heating and water bills, is outside the scope of the TaxBEN model. Similarly, TaxBEN does not include other housing benefits such as those for the construction of housing, the purchases of owner-occupied housing, or the repayment of interests on owner-occupied housing. In-kind support for families in social housing through below-market rents is also excluded.

According to this definition, Romania does not currently operate a national cash housing programme aiming primarily at reducing the rental costs for tenants.

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 state allowance (Law no.61/1993) is a fixed sum paid for all children until they reach the age of 18. Other eligible persons are young adults older than 18 who attend high school or a vocational programme, until their completion,¹⁴ as well as young adults with disability who follow a form of pre-university education provided by law, but no later than the age of 26. 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 amounts that apply on the 1st of January 2022 are:

- 600 lei for children up to 2 years old (or up to 18 years old in case of a child with disability).

- 243 lei for children between the age of 2 and 18. This amount is paid also to young adults older than 18, who attend high school or vocational education courses, until their completion, as well as to young adults with disabilities who follow a form of pre-university education provided by law, but not later than the age of 26.

As of January 2023, the amount will be indexed every year according to the annual average inflation rate.

Frequency/periodicity of benefit payments: monthly.

4.1.3. *Benefit duration*

No limitation.

¹⁴ Except pupils who repeats the school year (except for health reasons proven with a medical certificate).

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 allowance for family support is stipulated by law no. 277/2010.¹⁵ Eligible families are those with children under 18 and with a household income per person below certain limits (Section 4.2.4).

The family 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 parent¹⁶ 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

Benefit amounts depend on the number of dependent children and the level of the per-capita reference income (as defined in Section 4.2.3).

For eligible families with a reference monthly income below or equal to 210.2 lei (i.e. 40% of the RSI):

- 87 lei for families with 1 child (0.1640*RSI)
- 173 lei for families with 2 children (0.3280*RSI)
- 259 lei for families with 3 children (0.4920*RSI)

¹⁵ 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

¹⁶ 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 in a) -c) (article 3, Law no. 277/2010)

- 345 lei for families with 4 and more children ($0.6560 \cdot \text{RSI}$)

For eligible families with a reference monthly income between 210.2 and 557.03 lei (i.e. between $0.40 \cdot \text{RSI}$ and $1.06 \cdot \text{RSI}$):

- 79 lei for families with 1 child ($0.1500 \cdot \text{RSI}$)
- 158 lei for families with 2 children ($0.3000 \cdot \text{RSI}$)
- 237 lei for families with 3 children ($0.4500 \cdot \text{RSI}$)
- 316 lei for families with 4 and more children ($0.6000 \cdot \text{RSI}$)

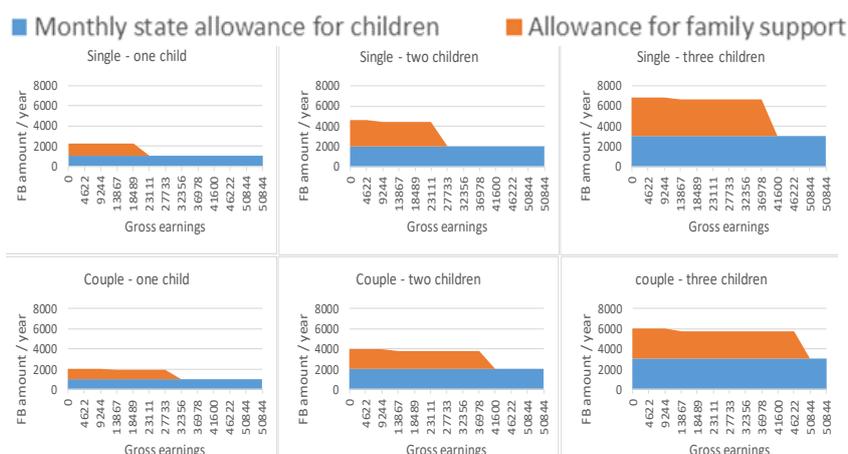
For single parents with a reference monthly income below or equal to 210.2 lei ($0.4 \cdot \text{RSI}$ lei):

- 113 lei for families with 1 child ($0.214 \cdot \text{RSI}$)
- 225 lei for families with 2 children ($0.428 \cdot \text{RSI}$)
- 338 lei for families with 3 children ($0.642 \cdot \text{RSI}$)
- 450 lei for families with 4 and more children ($0.856 \cdot \text{RSI}$)

For single parents with a reference monthly income between 210.2 and 557.03 lei (i.e. between $0.40 \cdot \text{RSI}$ and $1.06 \cdot \text{RSI}$):

- 108 lei for families with 1 child ($0.204 \cdot \text{RSI}$)
- 215 lei for families with 2 children ($0.408 \cdot \text{RSI}$)
- 322 lei for families with 3 children ($0.612 \cdot \text{RSI}$)
- 429 lei for families with 4 and more children ($0.816 \cdot \text{RSI}$)

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.

Source: OECD tax-benefit model, 2022.

Frequency/periodicity of benefit payments: monthly.

4.2.3. Benefit duration

No limitation.

4.2.4. Means test

The benefit is income tested. The reference income is the overall 'net' monthly income of the family - as defined in article 2, paragraph (2) Law no. 277/2010 - divided by the number of family members. The 'net' income is calculated by subtracting income tax and social contribution payments from the gross earnings. For instance, if a family member is employed, the family income that is considered in the income test includes

his/her gross earnings *less* the associated income tax liabilities (Section 8) and the employee social security contributions (Section 7). Unemployment indemnity (Section 2.1) is included as well as the Allowance for family support (Section 4.2). Excluded income components are:

- The monthly state allowance for children (Section 4.1),
- Heating benefits (Annex)
- 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.

The method for determining the net monthly income is the same as for the Guaranteed Minimum Income benefit (Section 3.1). The monthly state allowance for children (Section 4.1) is *not* included in the income test.

Family assets are 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.

5. Net costs of Early Childhood Education and Care

This section provides information on the net costs of centre-based early childhood and care services for children aged between birth and six years (included). The focus is on public early childhood education and care centres, i.e. centres owned and operated by public authorities at central or local level.

According to the National Education Law no.1/2011, subsequently amended and supplemented, the national system for childhood education and care in Romania consists of two parts:

- Early childhood education before the preschool level (0-2 years) – not compulsory;
- The pre-school education (3-6 years) – not compulsory;¹⁷

Compulsory school starts at 6 years old.

The Early childhood education before the pre-school education cycle (i.e. the education for children between 0 and 3) can take place either in nurseries and kindergartens (as

¹⁷ As of the year 2030, the entire pre-school cycle (3-6 years of age) will become compulsory. As of the school year 2021-2022, following the express request of parents and within the limit of the number of places, children aged 2 years or older can be enrolled in pre-school education.

standard service, part of the education sector) or day-care centres (part of the social-protection sector).¹⁸

The pre-school education for children between 3 and 6 years can take place in kindergartens or schools (state or private).

According to Government Decision no.566/2022, in early education units, the following method of organising the number of children is recommended: a) beginner group - children from 0 to 12 months; b) middle group - children from 13 to 24 months; c) advanced group - children from 25 to 36 months. If the pre-school child enrolled in the pre-school early education unit reaches the age of 3 during the school year, he/she may attend the unit until the end of the school year.

State-owned and private institutions providing pre-school education and care (0-6) should meet and respect the same national standards in terms of quality and contents.

5.1. Gross childcare fees

In accordance with National Education Law 1/2011, pre-school education and care (0-6) is free of charge in public institutions. Therefore, no fees are charged to parents for children attending ECEC services in the public sector.

However, parents pay a fee for the meals when children attend long-hours (10 hours/day) or weekly programmes. The amount of meal costs in kindergartens and nurseries is not regulated at national level. Parents decide at the beginning of the school year what the daily cost for the meals in public kindergartens and nurseries for their children should be. This amount varies, depending on the area, socio-economic conditions, etc., between 8 and 17 lei / day.¹⁹ For children attending regular-hours programmes (maximum 5 hours/day) there are no costs for meals as parents provide a daily snack to their children.

For children attending ECEC in the private sector, the fees that parents pay are determined by individual institutions and are used to cover the costs of staff, supplies, transportation, food, etc.

OECD note: The meal cost considered for the calculation of the OECD [NET Childcare Cost indicator](#) are calculated assuming that children attend weekly full-time ECEC programmes in public kindergartens. The meal cost is therefore 12.5 lei per day.²⁰ This amount is the average between the minimum and the maximum amount provided by the Ministry of Education in the text. The annualised value that enters the OECD calculations is equal to LEI 3848.²¹

¹⁸ Public nurseries and kindergartens are under the responsibility of the Ministry of Education, whereas day-care centres are under the responsibility of local public authorities and the National Authority for Social Welfare Child Protection, which is part of the Ministry of Family, Youth and Equality of Chances. Day-care centres provide free care during the day to children from vulnerable families, e.g. families with a precarious and difficult financial condition and/or vulnerable families in which mothers/fathers raise their children alone. The aim of day-care centres is twofold: 1) keep the child in the family, avoiding entry into the protection system for predominantly socio-economic reasons; 2) give parents the possibility of seeking employment, in order to provide adequate material conditions for raising their children. Day-care centres provides children with care, educational and fun programs.

¹⁹ The Ministry of Education does not currently have access to official estimates of the daily cost for the meals in public kindergartens as these costs are not monitored.

²⁰ I.e. 8 lei + (17-8)/2.

²¹ I.e. 14.8 LEI per day multiplied by the number of working day per week (5) and 52 weeks.

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. Instead, they have to provide a sandwich, daily, for their children whereas teachers provide the time for serving it during the school programme.

OECD note: The meal cost considered in the OECD calculations of the NET Childcare Cost indicator for parents using up to 5 hours per day of childcare is 0 LEI. Parents using childcare for more than 5 hours per day are assumed to participate in weekly full-time ECEC programmes and to pay the associated daily cost for the meals (section 5.1).

5.2. *Childcare benefits*

According to the OECD methodology, “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 can take the following forms:

- Conditional/unconditional cash allowances received by parents who use centre-based childcare for their children (e.g. to purchase meals at the childcare centre);
- Tax concessions related to direct 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 for benefit recipients.
- 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. *Cash allowances and subsidies for formal centre-based care*

There are no regular cash benefits paid *directly* to parents to support the direct costs of centre-based care. However, children from disadvantaged backgrounds may receive a subsidy from local authorities (mayor’s offices) and may be fully or partially exempted from the fees for meals.

Access to this local aid is at the discretion of the mayor’s office and depends on the availability of local funds/budget and the criteria applied by the local authority during the social inquiry that follows the parents’ demand for support. Possible criteria may include proof of the minimal income and number of family members.

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

In some countries, there are benefits whose eligibility is 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 to working parents for childcare-related expenditures.

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

Local public authorities can pay for the cost of meals (integrally or partially, depending of the data collected from the social welfare report) for children attending public kindergartens and nurseries with a disadvantaged background.

OECD note: As these partial or full exemptions are at the complete discretion of the local public authorities (“mayor’s offices”) and depends on the availability of local funds/budget, they are not included in the OECD net childcare cost indicator. As a

result, the OECD calculations of net childcare costs assume that the following families pay the full cost of the meals in case of full-time attendance:

- Jobless families receiving “*Indemnizatia de somaj*” (Section 2) or “*Schema privind venitul minim garantat*” (Section 3);
- Families with only one parent;
- Large families with three or more dependent children.

According to Government Decision no. 904/2014, the following children/mothers may receive in-kind benefits including food, school supplies, clothing, footwear, sanitary materials, supplies/manuals and toys:

- Pupils with disabilities attending special or mass educational institutions;
- Children under special protection measures attending public day services (nurseries, kindergartens and day-care centres);
- Children and young people under special protection measures staying in public residencies;
- Mothers protected in maternity centres.

Table A provides the monetary values (“standard costs”) of these welfare benefits. Note that the costs reported in Table A are not direct payments. They are transfers between institutions: children only benefit from these monetary transfers indirectly as long as they are eligible for a social protection measure.

Table A. Standard costs for food, clothing, footwear, sanitary equipment, supplies and manuals, toys, transport, cultural and sports materials.

Age group	Meal costs (lei/day /child/young person)	Standard cost for clothing, footwear, sanitary materials, supplies/manuals, toys, transport, cultural and sports materials (lei/year/child/young people)
From 0 to 3 years inclusive	12.00	366.00
From 3 to 7 years inclusive*	16.60	498.00
Child benefiting from the day service**	12.00	

* It also applies to children and young people with special educational needs, educated in special or mass education units, including those educated in a county other than the one of domicile.

** It also applies to children in nurseries and other early education units, under special protection measures.

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 (in-work) benefits

OECD note: This section provides information on employment-conditional (“in-work”) benefits for employees, i.e. benefits whose eligibility is conditional on the following key requirements: 1) being regularly employed (in either the private or public sector); 2) working a certain number of hours and/or earning more than a certain minimum. This definition notably excludes ‘workfare’ programmes and related ‘work-first’ policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on *one-off* and/or *temporary* payments for benefit recipients who are out of work and make a transition into employment. These type of benefits are referred to as *transitional “into-work” benefits* in order to differentiate them from the “regular” in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Romania does not have in 2022 a national Employment-conditional benefit. However, Romania does provide an *into-work benefit* for selected benefit recipients who move into work (described in section 2.1.7)

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 force²² 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 earnings.²³

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 stipulated in the State Budget Law (see below for details), 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. The table below shows the values of the average gross earnings starting from 2008.²⁴

Average monthly gross earnings stipulated in the State Budget Law

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Value	1693	1836	2022	2117	2223	2298	2415	2681	3131	4162

Year	2019	2020	2021	2022
Value	5163	5429	5380	6095

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:

²² GEO no. 79/2017 for amending and completing the Law no. 227/2015 on the tax code

²³ Consequently, starting with 2018, the “average annual gross earnings” shown in this section are no longer comparable with the data prior to 2018.

²⁴ The average gross earnings is stipulated in Law no. 3 on social security budget for 2018 (Art. 15, Chapter III Final provisions).

- for risk and accident fund, between 4.0% and 8.0% of 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: 2.25% (Art. 220⁶, Law no. 227/2015)²⁵

Compulsory social security contributions		
<i>Percentage (%)</i>		
<i>As of 1st of January 2022</i>		
Employee	Employees' individual contributions to social security	25.0
	Employees' social health insurance contribution	10.0
	Employers' contributions to the social security fund ⁽²⁶⁾	0.0 / 4.0 / 8.0
Employer	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

TaxBEN note: The model for 2022 uses the general SSC rates above: 35% in total for employees and 2.225% in total for the employers (the calculations assume that the employee working conditions are 'normal' and therefore the Employers' contributions to the social security fund is zero – see the related footnote for details).

As of 1 January 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 apply for section F and some related divisions (table below).

Compulsory social contributions and tax (January 1 2022 – December 31 2022)		
– section F and some related divisions		
Employee	Employees' social security contribution	21.25
	Employees' social health insurance contribution	-
	Tax	-
Employer	Employment insurance contributions paid by the employers to the general consolidated budget	0.337

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.

OECD note: 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 2022 uses the general SSC rates above: 35% in total for employees and 2.225% in total for the employers.

²⁵ 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.

²⁶The 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 to the normal working conditions.

8. Taxes

The tax unit is the individual.

8.1.1. Personal income tax

Variable name: `[INCTAX_p; INCTAX_s]`

8.1.2. Tax allowances

As of 1 January 2018, a tax allowance is subtracted from the monthly gross salary of all taxpayers (Law 227/2015 Fiscal Code, art. 59, par. 1, letter a) and par. 2). The value of tax allowance depends of number of persons in care (from 0 to 4+, see the table below for details), and the monthly gross salary (from LEI 1 - LEI 3.600).

Persons “in care” are wife/husband, children or other family members or relatives of the taxpayer or his/her spouse up to the second degree included, whose overall gross monthly earnings plus selected other gross incomes (including unemployment benefits – see section 2) are less than 510 Lei per month.²⁷

- If a taxpayer has a partner “in care”, i.e. with a reference income below 510 Lei per month, the taxpayer will be able to subtract from his/her tax base the tax allowance for 1 person in care (if there are no other persons in care).
- If the taxpayer’s partner is *not* “in care”, the taxpayer can still subtract from his or her tax base the tax allowance for “No person in care” (see the table below).
- If both partners work and they do *not* have other persons in care (e.g. a working couple *without* dependent children), *both* taxpayers will be able to subtract from their tax base the tax allowance for “No persons in care”.
- Finally, if both partners work and have children in care, the tax allowance is applied to one of the parents *only*. Based on the Romanian fiscal code, the two partners have to agree between them who will be the formal guardian of the child. Only the guardian can receive the tax allowance for persons in care, where applicable. However, the other parent will still be able to deduct from his/her tax base the tax allowance for “no persons in care”.

TaxBEN note: the OECD tax-benefit model assumes that a couple with children in care allocates the allowance in a way that maximises the overall net household income. As a result, the allowance is allocated to the working parent that minimises the overall family tax liability.

The 2022 amounts of the tax allowance are shown in the table below. The reference Monthly Gross Salary (MGS) that is relevant for the calculations (first column) refers to the gross monthly earnings *before* subtracting the employee social security contributions.

MGS is calculated by rounding the gross monthly salary at ten, in the sense that fractions under ten are made ten. (i.e. 235 Lei is transformed in 240 Lei).

²⁷ Some incomes are excluded. The list (not exhaustive) includes, survivors' pensions, social benefits granted according to art. 58 of Law no. 448/2006 on the protection and promotion of the rights of persons with disabilities, scholarships, prizes and other rights in the form of, e.g. accommodations, meals, transport, etc.

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 persons 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
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

8.1.3. Tax base

The income tax base is calculated by subtracting from the gross earnings the standard allowance (section 8.1.2) and the employee social security contributions (Section 7.1).

8.1.4. Income tax schedule

In 2022, the income tax rate is equal to 10% of the tax base (Art.64, paragraph (1) Law no. 227/2015), irrespective of the monthly gross income ('flat tax'). During the period 2005-2017, the tax rate was 16%.

8.1.5. Tax credits

None.

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

This section shows selected output of the TaxBEN model for Romania 2022 (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.

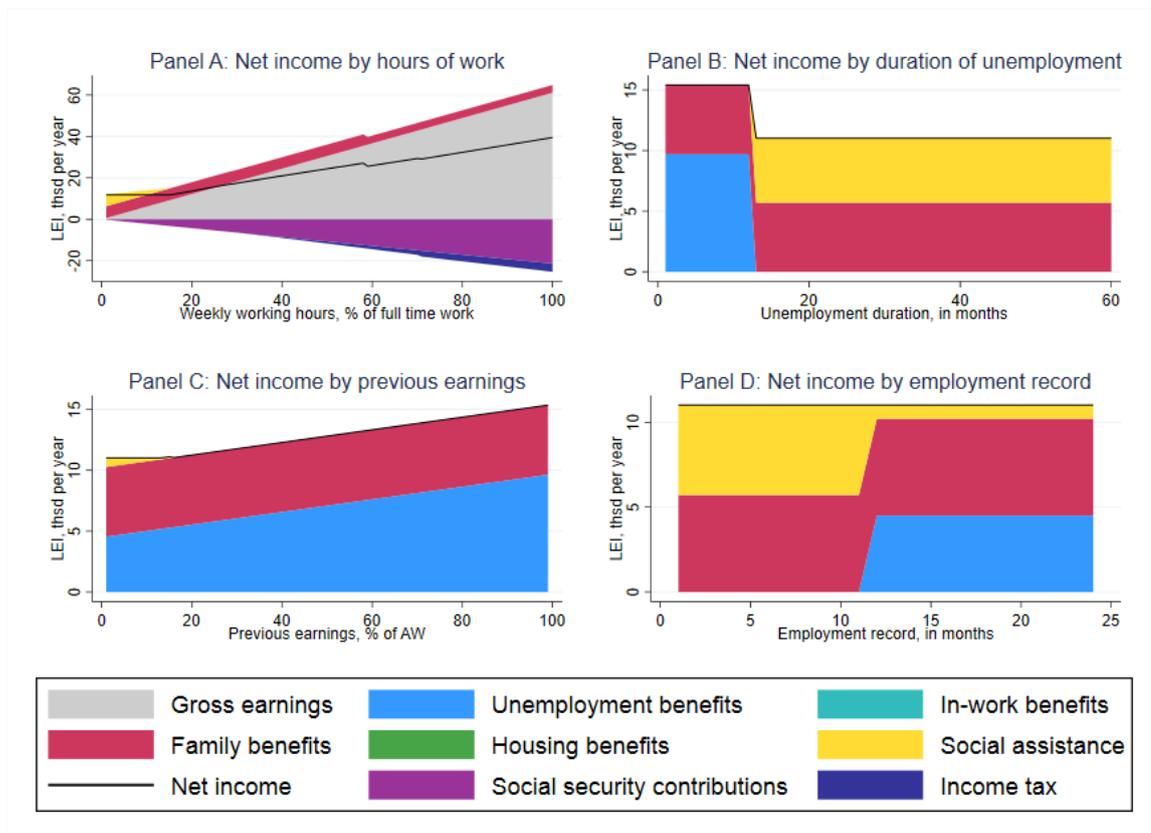
Panel A assumes shows the net household incomes of a couple where the ‘first adult’ is employed full-year at different working hours ranging between 1% and 100% of full time work (with a fixed hourly wage rate equal to the average hourly wage). The second adult is out of work and not eligible for unemployment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



Note: more information on the simulation settings described in the text of Section 8.

Source: [OECD tax-benefit model, 2012](#).

Annex 1: 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.

A.1 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.

A.2 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.

A.3 Bonus for new employment for graduates of educational institutions

Graduates of educational institutions and graduates of special schools with at least 16 years who, within 60 days of graduation, register with employment agencies and find full-time employment for a period longer than 12 months, receive an insertion premium equal to 3 times the value of the reference social indicator in force on the date of employment. For details: Article 73[^]1 paragraph (1) Law no.76/2002).

A.4 Maternity Benefits

The insured women (in-work) and the women who lost the job less than 9 months before have the right to maternity²⁸ 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).

A.5 Indemnity for maternal/parental leave

The insured have the right to leave for pregnancy and childbirth, for a period of 126 calendar days, during which they benefit from maternity allowance.

Women who are no longer insured have the same rights if they give birth within 9 months from the date of losing the quality of insured. To ensure eligibility, the loss of the quality of insured should not occur due to reasons attributable to the person in question. This should be proved by official documents issued by employers or their assimilates. Under these circumstances, the indemnity is paid from the budget of the Single National Health Insurance Fund by health insurance houses where the family doctor of the insured has concluded an agreement.

Pregnancy leave is granted for a period of 63 days before birth, and leave for maternity leave for a period of 63 days after birth.

Pregnancy and maternity leave can be offset against each other, depending on the doctor's recommendation and the beneficiary's choice, so that the minimum mandatory duration of maternity leave is 42 calendar days.

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 2.5 ISR (ISR = Reference Social Indicator- 525.5 lei), but no more than 8.500 lei/monthly.

²⁸ 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

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.

Recently, the amount of the insertion incentive increased. According to the Government Emergency Ordinance no. 26/2021. This measure was adopted in order to stimulate the return to work of parents on parental leave. Parents on parental leave receive an insertion incentive increased to 1.500 lei (fixed value that does not change with the RSI) if they return to work before the child reaches the age of 6 months, or 1 year, in the case of a disabled child. The amount is granted until the child reaches the age of 2 years old (3 years old in the case of a child with disabilities). The insertion incentive of 650 lei (fixed value that does not change with the RSI) is paid to persons receiving taxable earnings after the child reaches the age of 6 months (1 year for a child with disabilities) until the child reaches the age of 3 years (4 years in in the case of a child with a disability).

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.

Leave and allowance for the care of a sick child

Insured persons are entitled to leave for the care of a sick child up to 7 years of age (18 years of age for disabled children). For children with serious illnesses, the insured person is entitled to take a leave for the care of a sick child up to 18 years of age.

Only one of the parents benefits from the allowance for the care of the sick child. Those have adopted a child, have been appointed as guardian, or have been entrusted for adoption can claim the leave and allowance for the care of a sick child.

The allowance for the care of the sick child is fully supported from the budget of the Single National Health Insurance Fund.

The gross monthly amount of the allowance for the care of the sick child is 85% of the established calculation basis.

Maternity risk leave and allowance

The maternal risk indemnity received during the maternal risk leave is fully paid from the budget of the Single National Health Insurance Fund.

Leave and maternity risk allowance are granted without the condition of a contribution period. The amount of the maternal risk allowance is 75% of the established calculation basis.

A.6 Heating benefits

Law no. 226/2021 provides new social protection measures for vulnerable energy consumers ("*Heating benefits*"). The financial support consist of four measures: (1) House heating support, (2) Energy consumption support; (3) Support for the purchase, within a dwelling, of energy-efficient equipment; (4) Aids for the purchase of products

and services.²⁹ This section describes the House heating support in details and provides details on the other three measures.

A.6.1 House heating support (*Ajutoare pentru încălzirea locuiței*)

Eligibility conditions

All families with an eating system can claim the house heating support. The main eligibility requirement is to have an income below a certain level (section 3.2.4).

Benefit amounts

Benefit amounts depend on the household income (table below) and the type of heating system. Amounts are calculated as a percentage compensation applied to a reference value, which is differentiated according to the type of heating system (below). The percentage compensation is 100% for the beneficiaries with the lowest incomes and at least 10% for those whose incomes are at the maximum limit. See Section 3.2.4 for the exact definition of the reference income.

Monthly income levels (lei)	Amount
0 - 200	100% of the reference value, but no more than the consumption and the invoice value
200,1 - 320	90%
320,1 - 440	80%
440,1 - 560	70%
560,1 - 680	60%
680,1 - 920	50%
920,1 – 1.040	40%
1.040,1 – 1.160	30%
1.160,1 – 1.280	20%
1.280,1 – 1.386 (families) / 2.053 (single persons)	10%

The reference values to which the percentage compensations apply depend on the type of heating system:

- Centralized heating: the reference value is established on a monthly basis taking into account the average consumption of the population and the local price of the thermal energy. Annex 1 of law no. 226/2021 includes the average monthly consumption for heating in centralized systems by areas (cold, temperate and warm) and type of house.
- Heating with natural gas: 250 lei/month;
- Heating with electricity: 500 lei/month;
- Heating with solid or liquid fuels: 320 lei/month.

Energy suppliers deduct the amounts of the heating aid from the invoice certifying the value of the monthly consumption. The aid cannot be higher than the value of the invoiced consumption.

²⁹ In 2021, the government enacted also other non-financial measures for vulnerable energy consumers, which consist of facilities for accessing and connecting to available energy sources necessary to ensure minimum energy needs. This includes a ban on disconnection from energy sources for categories of vulnerable consumers, as well as transparent and accessible information to the population regarding the energy sources, costs and procedures for access to them, according to the legislation in force

According to a statistical report elaborated by National Institute of Statistics in 2009, the Heating with solid or liquid fuels (especially wood) is the most common heating source in Romania.³⁰

Benefit duration

The House Heating Support is paid with a monthly frequency, during the cold season (1st November – 31st March) at the beginning of the winter season, for a total of 5 months. In case of heating with solid or liquid fuels, the payment is made as a one-time payment, for the entire period, directly to the beneficiaries.

Means test

The total “net” monthly income per person of the family (i.e. the total income of the family divided by the number of family members), or the net monthly income of the single person. “Net” means that income tax payments and social security contributions are subtracted from the total gross incomes. The reference income includes also the amount of the unemployment indemnity (Section 2.1). Excluded income components are:

- Guaranteed minimum income (Section 3.1)
- 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 considered. The list of assets leading to the exclusion of the right is in the Annex of the GD no. 50/2011.

Tax treatment

The benefit is not included in the income tax base (Section 8.1).

Interaction with other components of the tax-benefit system

The benefit can be received together in any other benefit. The amount is *not* included in the income tests of the following benefits: social assistance (Section 3.1), Monthly state allowance for children (Section 4.1), and the Allowance for family support (Section 4.2).

A.6.2 Energy consumption support

This support aims at covering part of the household's energy consumption throughout the year. This benefit can be combined with the House heating support as well as the Support for the purchase, within a dwelling, of energy-efficient equipment (described below). The average monthly net income up to which the energy supplement is granted is 1386 lei per person for a family, and 2053 lei for a single person. Amounts are as follows:

- 10 lei / month for thermal energy consumption (centralized heating);

³⁰ https://insse.ro/cms/files/publicatii/CENG_publicatie_tabele.pdf (pages 17-20).

- 10 lei / month for natural gas consumption;
- 30 lei / month for electricity consumption;
- 20 lei / month for the consumption of solid or liquid fuels;

Exceptionally, for those who use *only* electricity as a source of heating, the support is 70 lei /month.

A.6.3 Support for the purchase, within a dwelling, of energy-efficient equipment

Necessary for lighting, cooling, heating and hot water supply in the dwelling, for the replacement of technically and morally obsolete household appliances with energy - efficient household appliances, as well as for the use of energy - intensive means of communication;

A.6.4 Aids for the purchase of products and services

Support that aims to increase the energy performance of buildings, or for connection to energy sources.

A.7 Sicknes Benefit (Prestații de boală)

Entitlement and eligibility conditions

In order to benefit from leave and social health insurance benefits, the insured persons must cumulatively meet the following conditions:

- a) to fulfill the minimum contribution period provided by the Government Emergency Ordinance no. 158/2005;
- b) to present the certificate from the payer of indemnities showing the number of days of temporary incapacity for work in the last 12/24 months, except for medical-surgical emergencies, of certain types of burns, including for the recovery period, of quarantine, of group A infectious diseases, in the case of infectious diseases for which the isolation measure is required, as well as in the situation of issuing medical leave certificates granted for the same episode of illness by the attending physician which has the obligation to draw up the plan for monitoring the evolution of the disease.

In order to prevent illness, the insured persons have the right to leave and indemnity for quarantine, without fulfilling the condition regarding the insurance period.

Insured persons for whom the quarantine measure has been established benefit from quarantine leave and allowances regardless of where they are established.

Benefit amounts

The leave and the indemnity for quarantine are granted to the insured persons for whom the quarantine measure was instituted according to art. 7 of Law no. 136/2020, republished, with subsequent amendments and completions.

For employees, the basis for calculating allowances is determined as the average of gross monthly income in the last 6 months of the 12 months from which the contribution period is constituted, up to the limit of 12 minimum gross salaries per month, based on which insurance contribution for work is calculated.

For the unemployed, the calculation basis of the indemnities is determined as the average of the monthly gross income representing unemployment indemnity, from the last 6 months of the 12 months from which the contribution period is constituted, up to the limit of 12 minimum gross salaries per month.

For individuals, the basis for calculating benefits is determined as the average of insured income, entered in the insurance contract, from the last 6 months of the 12 months from which the contribution period is established, up to the limit of 12 minimum gross wages per month.

• Leave and allowance for temporary incapacity for work

Temporary incapacity benefits are paid as follows:

A. by the employer, from the first day to the 5th day of temporary incapacity for work, except for the indemnities related to the medical leave certificates granted to the insured persons for whom the isolation measure was instituted, according to Law no. 136/2020;

B. from the budget of the Single National Health Insurance Fund, starting with:

b.1) the day following those borne by the employer, according to letter A, and until the date of termination of the temporary incapacity for work of the insured or his retirement;

b.2) the first day of temporary incapacity for work, in the case of insured persons earning income in Romania, from employers of states not covered by the applicable European legislation in the field of social security, as well as agreements on social security systems to which Romania it is a party, in the case of unemployed persons, as well as of natural persons

b.3) the first day of temporary incapacity for work, in the case of insured persons for whom the isolation measure was instituted, according to Law no. 136/2020.

The gross monthly amount of the allowance for temporary incapacity for work is determined by applying the percentage of 75% on the established calculation basis.

The gross monthly amount of the indemnity for temporary incapacity for work, determined by tuberculosis, AIDS, neoplasms, as well as by a group A infectious disease and medical-surgical emergencies, is 100% of the established calculation base.

• Leave and allowances for the prevention of illness and recovery of work capacity

In order to prevent illness and recover work capacity, the insured may benefit from: allowance for reducing working time; leave and allowance for quarantine and spa treatment, in accordance with the individual recovery program.

The indemnity for reducing the working time by a quarter of the normal duration is granted to the employed insured persons, who, due to health reasons, can no longer achieve the normal working hours.

The gross monthly amount of the allowance for the reduction of working time is equal to the difference between the established calculation base and the gross salary income achieved by the insured by reducing the normal working time, without exceeding 25% of the calculation base.

The leave and the indemnity for quarantine are granted to the insured persons who are in quarantine or established isolation.

The gross monthly amount of the quarantine or isolation allowance represents 100% of the established calculation base and is fully supported from the budget of the Single National Health Insurance Fund.

Duration

The duration of the indemnity for temporary incapacity for work is maximum 183 days during one year, calculated from the first day of illness.

Starting with the 91st day, the leave can be extended by the specialist doctor up to 183 days, with the approval of the social security expert doctor.

The duration of the granting of leave and allowance for temporary incapacity for work is longer in the case of special illnesses and is differentiated as follows:

- a) one year, within the last 2 years, for some cardiovascular diseases, established by the National Health Insurance House, with the consent of the Ministry of Health;
- b) one year and 6 months, within the last 2 years, for AIDS and neoplasms, depending on the stage of disease;
- c) for the entire treatment period, until healing, for tuberculosis
- d) throughout the treatment period, until healing, for some types of burns, including the recovery period.

The types of burns for which the duration of the leave and the allowance for temporary incapacity for work is provided above are the burns of degree IIB - III located on the face, scalp, hands, feet, genitals, perineum, large joints and / or burns. grade III with other locations, but affecting at least 10% of the body surface ".

In the case of insured persons, leave and indemnities for temporary incapacity for work caused by infectious diseases for which the isolation measure is instituted, according to the law, are granted until the date of confirmation of the person as cured based on clinical and paraclinical examinations or doctor's recommendation that the risk of transmitting the disease no longer exists.

Means test

No means test.

Tax treatment

The benefit is taxed

Interactions with other components of the tax-benefit system

Benefit amounts are considered as earnings and enters the income test of means tested benefits.

Combining benefit receipt and employment/starting a new job

Benefit recipients cannot work while receiving this benefit.

A.8 Mandatory employer sick pay

The rules are the same as the sickness benefit. The main difference is the duration of benefit entitlements:

The employer has the obligation to pay the contribution for each period of sick leave, from the first day to the 5th day of temporary incapacity for work, except for the indemnities related to the medical leave certificates granted to the insured persons for whom the isolation measure was instituted, according to Law no. 136/2020. Duration of the benefit: the first 5 days for each period of sick leave, without waiting periods.

Annex 2: COVID-related measures in the context of the COVID-19 pandemic

OECD note: this section provides an overview of selected COVID-related measures adopted by the Ministry of Labour and Social Solidarity in the field of employment. The list excludes measures in the field of vocation training. The list excludes also measures targeted to categories other than jobseekers and employees (e.g. self-employed), as these other categories are outside the scope of this report.

The measures described in this section are those that are only those that are still in force on the reference policy date of this report (1st January 2022).

- **A.1** Technical unemployment benefit during the state of emergency and after it, until the 31st of December 2021 and between 20th of January - 31st of March 2022 for all the economic activities where the restrictions are maintained by the authorities.

Regulation on conditions, criteria and manner of granting the measure:

- Conditions: Suspension of the individual employment contract at the initiative of the employer, in case of temporary interruption or reduction of activity. The benefit is granted also to employees whose activity has been suspended as a result of the epidemiological investigation carried out by the territorial public health institutions.
- Measure: Allowance granted to employees, of 75% of the basic salary corresponding to the job occupied, but not more than 75% of the average gross earnings provided by the legislation in force on the state social insurance budget for the current year.
- **A.2.** Employment subsidy granted to employers who employ unemployed people over the age of 50 whose employment relationships have ceased for reasons not attributable to them during the state of emergency or alert or who employ full time persons aged between 16 and 29.
- **A.3** Short time working scheme (*Kurzarbeit program*) in the case of temporary reduction of the work time determined by the establishment of the state of emergency/alert/siege, as well as for a period of up to 3 months from the end of the last period in which the state of emergency/alert/siege

Regulation on conditions, criteria and manner of granting the measure:

- Context: temporary reduction of working time, determined by the establishment of the state of emergency / alert / siege, in accordance with the law, during the state of emergency / alert / siege, as well as for a period of up to 3 months from the date of termination of the last periods in which the state of emergency / alert / siege was established.
- Measure: employers have the possibility to reduce the working time of employees by at most 80% of the daily, weekly or monthly duration, provided in the individual employment contract for a period of at least 5 days, monthly, by decision of the employer. During this period, employees affected by the measure receive an allowance of 75% of the difference between the gross basic salary provided for in the individual employment contract and the gross basic salary for the hours actually worked as a result of the reduction in working time. The reduction of working time is also applied in the case of the shift work schedule, as well as in the case of the unequal work schedule;

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- **A.4** If the employment contracts are suspended due to the effects of the pandemic, during the state of emergency and alert, the suspension period is established to be a contribution period assimilated in the unemployment insurance system, for which employers do not owe the work insurance contribution as regulated by the specific legislation;
 - **A.5** The period during which the employees whose individual employment contracts are suspended and the employers of these employees do not owe the insurance contribution for work constitutes a contribution period without payment of the contribution in the social health insurance system for the holidays and social health insurance benefits. Similarly, the periods during which the persons benefit from the reduction of working time (and the related indemnity) constitute a contribution period assimilated in the unemployment insurance system. These periods are taken into account when establishing the contribution period of at least 12 months in the last 24 months prior to the registration date of unemployment.