



**We inform you that in the Official Gazette No. 885 was published Emergency Ordinance of the Government No. 79/10.11.2017 for amending and completing the Law 227/2015 on Fiscal Code.**

The main amendments and additions refer to:

## **I. INCOME TAX**

### **1. Tax rates**

The income tax quota was decreased from 16% to 10% for the majority of types of income obtained by individuals.

### **2. Personal deduction**

Were increased the personal deductions for income obtained by individual from salaries as follows:

- 510 lei – for taxpayers who have no dependents;
- 670 lei – for taxpayers who have only one dependent person;
- 830 lei – for taxpayers who have two dependents;
- 990 lei – for taxpayers who have three dependents;
- 1.310 lei – for taxpayers who have four or more dependents.

For individuals who earn monthly gross wages ranging from 1,951 lei - 3,600 lei inclusively the deductions are regressive towards the above and are described by the ordinance.

For the monthly gross income obtained by individuals from salaries over 3.600 lei no personal deduction is granted.

**3. Tax rate on anticipated payments for intellectual property income** will be established by applying a quota of 7% on gross income instead of 10% at present.

## **II. Mandatory social contributions**

Starting with the 1<sup>st</sup> of January 2018 the mandatory social contributions will be:

- Social insurance contribution of 25% is due by employees, 4% due by employers for special working conditions, 8% due by employers for special working conditions;
- Social security contribution of 10% is due by employees
- Work insurance contribution of 2,25% is due by employers.

### **Compulsory social insurances – C.A.S, C.A.S.S and C.A.M**

Compulsory social insurances cover the main categories of contributions as follows:



**Contribution to social insurance pensions (C.A.S)** of 25% is due natural persons who have the quality of employees or other individuals when imposing the Fiscal Code. It is deducted from the income of the individual.

**Contribution to health insurance (CASS)** of 10% is due by the insured person who earns salaries or by other individuals when they obtain income for which the contribution is due. In this category, there will be a multitude of income earners such as: income from dividends, interest income, income from other sources, income from self-employment, etc.

Therefore, we remember that such income, which is currently exempted from the contribution to health insurance, while complying with other legal requirements, will necessarily fall within the scope of the social health contribution, but the method of calculation is different, in principal, the bases of calculating is the minimum wage on the economy. Our analysis should not be comprehensively understood, but each type of income should be analysed.

**Work insurance contribution (CAM)** of 2,25%, is due by employers, the base of calculation being gross wage fund. From this contribution, the risk and accident fund, the unemployment fund, the sick leave fund, the fund for guaranteeing the salary claims are still ensured.

For the special working conditions, employers pay extra for social security contributions - pensions, 4%, and for special working conditions the percentage is 8%.

Social security contributions of 25% and 10% for social health insurance paid by employees will continue to be retained by the employer, out of the gross salary, and he has the obligation to make the payment to the budget and to submit the statement within the legal deadline (25th of the next month or 25th of the month following the quarter, for those with the tax period the quarter).

The general calculation of wages is kept in the sense that from the gross income are retained the social security and they are deductible when calculating income tax. The basis for calculating the income tax is the gross income diminished by social security and personal deductions.

Characteristic for social insurances is the introduction of specific procedures for income from self-employment, from disposing of the use of goods, from dividends, from other sources for which there are special tax regimes. For example, if an individual is an employee but also obtains income from dividends, that individual pays social security both as an employee and for dividend income. The monthly basis for calculating the health contribution for dividend income is the country-wide minimum gross wage valid in the month in which the dividends are paid.



**Simulation on net salary change and total salary for a gross salary of 1.900 lei, proposed as the minimum wage from January 1, 2018 and for a net salary of 10.000 lei:**

**Case 1 – Gross salary = 1.900 lei**

According to current legislation					
Gross salary			1.900		
Employee contributions			Company contributions		
Social security contribution (CAS)	10,50%	200	Social security contribution (CAS)	15,80%	300
Health insurance (CASS)	5,50%	105	Health insurance (CASS)	5,20%	99
Unemployment fund (Șomaj)	0,50%	10	Unemployment fund (Șomaj)	0,50%	10
Deduction		220	Guarantee fund	0,25%	5
Tax salary	16%	219	Holidays and indemnisations (CCI)	0,85%	16
			Labor accidents and professional diseases fund (AMBP)	0,15%	3
<b>Net salary</b>		<b>1.368</b>			
Payroll taxes		532	Employer taxes		432
<b>Total taxes</b>		<b>964</b>			
<b>Total employer cost</b>		<b>2.332</b>			

According to the amendments to the Fiscal Code, applicable from January 1, 2018					
Scenario 1 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%					
Keeping the net salary of the employee					
Gross salary			2.269		Differences
Employee contributions			Company contributions		
Social security contribution (CAS)	25,00%	567	Social security contribution (CAS)	0,00%	-
Health insurance (CASS)	10,00%	227	Health insurance (CASS)	0,00%	-
Unemployment fund (Șomaj)	0,00%	-	Unemployment fund (Șomaj)	0,00%	-
Deduction		405	Guarantee fund	0,00%	-
Tax salary	10%	107	Holidays and indemnisations (CCI)	0,00%	-
			Labor accidents and professional diseases fund (AMBP)	0,00%	-
			Work insurance contribution (CAM)	2,25%	51
<b>Net salary</b>		<b>1.368</b>			<b>0</b>
Payroll taxes		901	Employer taxes		51
<b>Total taxes</b>		<b>952</b>			<b>Total cost</b>
<b>Total employer cost</b>		<b>2.320</b>			<b>- 12</b>

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**Scenario 2 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

**Keeping the gross salary of the employee**

		1.900			Differences
<b>Gross salary</b>					
<b>Employee contributions</b>			<b>Company contributions</b>		
Social security contribution (CAS)	25,00%	475	Social security contribution (CAS)	0,00%	-
Health insurance (CASS)	10,00%	190	Health insurance (CASS)	0,00%	-
Unemployment fund (Şomaj)	0,00%	-	Unemployment fund (Şomaj)	0,00%	-
Deduction		510	Guarantee fund	0,00%	-
Tax salary	10%	73	Holidays and indemnisations (CCI)	0,00%	-
			Labor accidents and professional diseases fund (AMBP)	0,00%	-
			Work insurance contribution (CAM)	2,25%	43
<b>Net salary</b>		<b>1.163</b>			<b>- 205</b>
Payroll taxes		738	Employer taxes		43
<b>Total taxes</b>		<b>780</b>			<b>Total cost</b>
<b>Total employer cost</b>		<b>1.943</b>			<b>- 390</b>

**Scenario 3 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

**Keeping the employer cost**

		2.281			Differences
<b>Gross salary</b>					
<b>Employee contributions</b>			Social security contribution (CAS)		
Social security contribution (CAS)	25,00%	570	Health insurance (CASS)	0,00%	-
Health insurance (CASS)	10,00%	228	Unemployment fund (Şomaj)	0,00%	-
Unemployment fund (Şomaj)	0,00%	-	Guarantee fund	0,00%	-
Deduction		405	Holidays and indemnisations (CCI)	0,00%	-
Tax salary	10%	108	Labor accidents and professional diseases fund (AMBP)	0,00%	-
			Social security contribution (CAS)	0,00%	-
			Work insurance contribution (CAM)	2,25%	51
<b>Net salary</b>		<b>1.375</b>			<b>7</b>
Payroll taxes		906	Employer taxes		51
<b>Total taxes</b>		<b>957</b>			<b>Total cost</b>
<b>Total employer cost</b>		<b>2.332</b>			<b>0</b>

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**Scenario 4 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

Growth of the employer cost with CAM						
<b>Gross salary</b>			<b>2.332</b>			<b>Differences</b>
<b>Employee contributions</b>			<b>Company contributions</b>			
Social security contribution (CAS)	25,00%	583	Social security contribution (CAS)	0,00%	-	
Health insurance (CASS)	10,00%	233	Health insurance (CASS)	0,00%	-	
Unemployment fund (Şomaj)	0,00%	-	Unemployment fund (Şomaj)	0,00%	-	
Deduction		390	Guarantee fund	0,00%	-	
Tax salary	10%	113	Holidays and indemnisations (CCI)	0,00%	-	
			Labor accidents and professional diseases fund (AMBP)	0,00%	-	
			Work insurance contribution (CAM)	2,25%	52	<b>Net salary</b>
<b>Net salary</b>		<b>1.403</b>				<b>35</b>
Payroll taxes		929	Employer taxes		52	
<b>Total taxes</b>		<b>981</b>				<b>Total cost</b>
<b>Total employer cost</b>		<b>2.384</b>				<b>52</b>

\* For salaries up to 3.600 lei, the deduction is granted, calculated differently on intervals

**Case 2 – Net salary = 10.000 lei**

According to current legislation					
<b>Company contributions</b>			<b>14.257</b>		
Social security contribution (CAS)			<b>Company contributions</b>		
Health insurance (CASS)	10,50%	1.497	Social security contribution (CAS)	15,80%	2.253
Unemployment fund (Şomaj)	5,50%	784	Health insurance (CASS)	5,20%	741
Guarantee fund	0,50%	71	Unemployment fund (Şomaj)	0,50%	71
Tax salary	16%	1.905	Guarantee fund	0,25%	36
			Holidays and indemnisations (CCI)	0,85%	121
			Labor accidents and professional diseases fund (AMBP)	0,15%	21
<b>Net salary</b>		<b>10.000</b>			
Payroll taxes		4.257	Employer taxes		3.243
<b>Total taxes</b>		<b>7.501</b>			
<b>Total employer cost</b>		<b>17.501</b>			

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According to the amendments to the Fiscal Code, applicable from January 1, 2018

**Scenario 1 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

**Keeping the net salary of the employee**

<b>Gross salary</b>			<b>17.094</b>			<b>Differences</b>
<b>Employee contributions</b>			<b>Company contributions</b>			
Social security contribution (CAS)	25,00%	4.274	Social security contribution (CAS)	0,00%	-	
Health insurance (CASS)	10,00%	1.709	Health insurance (CASS)	0,00%	-	
Unemployment fund (Şomaj)	0,00%	-	Unemployment fund (Şomaj)	0,00%	-	
Tax salary	10%	1.111	Guarantee fund	0,00%	-	
			Holidays and indemnisations (CCI)	0,00%	-	
			Labor accidents and professional diseases fund (AMBP)	0,00%	-	
			Work insurance contribution (CAM)	2,25%	385	<i>Net salary</i>
<b>Net salary</b>		<b>10.000</b>				<b>0</b>
Payroll taxes		7.094	Employer taxes		385	
<b>Total taxes</b>		<b>7.479</b>				<i>Total cost</i>
<b>Total employer cost</b>		<b>17.479</b>				<b>- 23</b>

**Scenario 2 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

**Keeping the gross salary of the employee**

<b>Gross salary</b>			<b>14.257</b>			<b>Differences</b>
<b>Employee contributions</b>			<b>Company contributions</b>			
Social security contribution (CAS)	25,00%	3.564	Social security contribution (CAS)	0,00%	-	
Health insurance (CASS)	10,00%	1.426	Health insurance (CASS)	0,00%	-	
Unemployment fund (Şomaj)	0,00%	-	Unemployment fund (Şomaj)	0,00%	-	
Tax salary	10%	927	Guarantee fund	0,00%	-	
			Holidays and indemnisations (CCI)	0,00%	-	
			Labor accidents and professional diseases fund (AMBP)	0,00%	-	
			Work insurance contribution (CAM)	2,25%	321	<i>Net salary</i>
<b>Net salary</b>		<b>8.340</b>				<b>- 1.660</b>
Payroll taxes		5.917	Employer taxes		321	
<b>Total taxes</b>		<b>6.237</b>				<i>Total cost</i>
<b>Total employer cost</b>		<b>14.578</b>				<b>- 2.924</b>

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**Scenario 3 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

**Keeping the employer cost**

<b>Gross salary</b>			<b>17.115</b>			<b>Differences</b>
<b>Employee contributions</b>			<b>Company contributions</b>			
Social security contribution (CAS)	25,00%	4.279	Social security contribution (CAS)	0,00%	-	
Health insurance (CASS)	10,00%	1.712	Health insurance (CASS)	0,00%	-	
Unemployment fund (Şomaj)	0,00%	-	Unemployment fund (Şomaj)	0,00%	-	
Tax salary	10%	1.112	Guarantee fund	0,00%	-	
			Holidays and indemnisations (CCI)	0,00%	-	
			Labor accidents and professional diseases fund (AMBP)	0,00%	-	
			Work insurance contribution (CAM)	2,25%	385	<b>Net salary</b>
<b>Net salary</b>		<b>10.012</b>				<b>12</b>
Payroll taxes		7.103	Employer taxes		385	
<b>Total taxes</b>		<b>7.488</b>				<b>Total cost</b>
<b>Total employer cost</b>		<b>17.500</b>				<b>- 0</b>

**Scenario 4 - Transfer of contributions to the employee - 35%, tax deduction to 10%, CAM application 2.25%**

**Growth of the employer cost with CAM**

<b>Gross salary</b>			<b>17.501</b>			<b>Differences</b>
<b>Employee contributions</b>			<b>Company contributions</b>			
Social security contribution (CAS)	25,00%	4.375	Social security contribution (CAS)	0,00%	-	
Health insurance (CASS)	10,00%	1.750	Health insurance (CASS)	0,00%	-	
Unemployment fund (Şomaj)	0,00%	-	Unemployment fund (Şomaj)	0,00%	-	
Tax salary	10%	1.138	Guarantee fund	0,00%	-	
			Holidays and indemnisations (CCI)	0,00%	-	
			Labor accidents and professional diseases fund (AMBP)	0,00%	-	
			Work insurance contribution (CAM)	2,25%	394	<b>Net salary</b>
<b>Net salary</b>		<b>10.238</b>				<b>238</b>
Payroll taxes		7.263	Employer taxes		394	
<b>Total taxes</b>		<b>7.657</b>				<b>Total cost</b>
<b>Total employer cost</b>		<b>17.895</b>				<b>394</b>

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