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Romania: Contributions of the employer for employees. Changed system.

Shift of taxes from employers to employees.

Beginning with 01.01.2018 will enter into force the provisions of the Emergency Ordinance no.79/2017 for amendments and completion of Law No.227/2015 regarding the Fiscal Code, which changes the payment methods of the contributions.

The intention of the legislative body is to shift the payments of the social contributions, which were in the employees' burden, but paid by the employer, to the employee.

Therefore, starting with 2018 year, the pension insurance and the health insurance contributions will be paid only by the employee, the employment insurance contribution will be paid only by the employer. The contribution for the solidarity fund will be paid solely by the employer, only if it has at least 50 employees and if it does not employ at least 4% disabled persons within its total number of employees.

In all cases, the employer will still be responsible for calculating, withholding and transferring contributions to the state.

This change will have a huge impact on the employee's net salary because it can decrease up to 16 %, according to some calculations made by experts. On the other hand, given the shift of the contributions, the employer will see a positive impact.

Though, herewith the changes, the benefit of the employer is not really existing, as all the employers were already approached by the employees for future increases of the gross salary, in order to reach the same level of the net salary, as initially negotiated.

Below, you can find a comparison between 2017 and 2018 of the gross minimum salary at

national level, in terms of the changes made by OUG 79/2017:

Contributions in total in RON				
2017			2018	
EMPLOYEE OBLIGATIONS	Gross	1,450	Gross	1,900
	Salary tax -16%	146	Salary tax -10%	73
	Pension contributions – (CAS) - 10.5%	152	Pension contributions – (CAS) - 25%	475
	Health contributions fund – (CASS) - 5.5%	80	Health contributions fund – (CASS) - 10%	190
	Unemployment fund – (CFS) - 0.5%	7		0
	Total employee contributions	385		738
	Net	1,065	Net	1,163
EMPLOYER OBLIGATIONS	Pension contributions – (CAS) - 15.8%	229		0
	Health contributions fund – (CASS) - 5.2%	75		0
	Unemployment fund – (CFS) - 0.5%	7		0
	CCI Vacation funds	12		0
	Accidents fund	2	Contributions for insuring the work - 2,25%	43
	Guarantee fund	4		0
	Total employer's contributions	329	Total employer's contributions	43
Total contributions	714	Total contributions	780	

In order to avoid a decrease in the current net salary, the Government imposed by another ordinance, namely GEO 82/2017, that **each company should start the negotiations procedure net salary with its employees, until 20.12.2017**. If there are any changes to the employment contracts following the negotiation, Considering the possible changes of the labor contracts, by following the negotiations, please bear in mind that there is a requirement for their registration in REVISAL, one day before the entry into force, and no later than 31 December 2017.

Please note the REVISAL registration is mandatory and in case not operated in due time (1 day before entering into force), fines between 5,000 and 8,000 RON can be applied by the controlling competent institution.

Therefore, although this procedure does not impose an obligation to raise the gross salary, so that the employee to earn the same net salary in 2018 as currently earning, we believe that employers should pay a higher salary, directly proportional to the loss which the employee will suffer by moving the contributions in his obligation, since for the employer the total cost of salary paid in 2018 will remain as it is today. Note that this change with the previous recommendation applies to wages higher than the minimum prescribed by law. Unfortunately, for employers who are currently offering the minimum wage, the changes brought by GEO 79/2017, according to experts, bring an increase of up to 6.6% in taxes due to the increase of the minimum wage on 01.01.2018 gross to 1.900 RON.

We recommend a good calculator of taxes, for comparison purposes whilst negotiations shall be finalized at this [link](#).

For further information on this aspect and any other questions related to this topic please feel free to contact: Mag. Georgiana Lazăr. (georgiana.lazar@nhp.ro)

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