

13 February 2018

Fiscal Bulletin



Summary:

1. **Government Emergency Ordinance No. 3/2018 regarding certain tax budgetary measures - compensation scheme for employees benefiting of income tax exemptions and other measures**

Compensation scheme for employees benefiting of income tax exemption and other measures

The Government Emergency Ordinance No. 3/2018 (“GEO 3/2018”) on certain tax budgetary measures was published in the Official Gazette No. 125/08.02.2018, aiming to:

- Ensuring that the net salaries of employees benefiting of income tax exemption are not decreased starting January 1st, 2018 following the implementation of GEO 79/2017 (through which, among other, the social security contribution and the health insurance contribution are transferred to the employee);
 - Avoiding certain malfunctions triggered by the application of the new legal provisions valid in 2018 in case of health insurance allowances granted during medical leaves, as well as for individuals deriving salary income based on full-time or partial employment contract.
1. **Ensuring the net income for IT, research and development employees, as well as those who carry out seasonal activities or individuals qualifying as persons with disabilities**

The measure provided by the GEO 3/2018 consists in bearing, from the state budget, of part of the health insurance contribution owed by the above-mentioned individuals which derive salary revenues based on employment contracts in force as of December 31st, 2017.

The measure is conditioned by the transfer of the tax burden related to social contributions from the employer to the employee, respectively the increase of gross salaries with at least 20% as compared with the level as at December 2017.

Therefore, for these employees, the health insurance contribution is partially withheld (as compared with the health insurance contribution due), so that the net salary revenues as at December 2017 are maintained for the year 2018 also. The health insurance contribution withheld shall be determined as a difference between the gross revenues of 2018 (increased) and the following:

- Social security contribution, calculated and entirely withheld, according to the Fiscal Code;
- Net salary corresponding to gross salary as at December 2017.

GEO 3/2018 also regulates procedural aspects for the application of this measure.

As effects of the GEO 3/2018 and of the computation method of the health insurance contribution which will be supported from the state budget, the following should be observed:

- In case of salary increases of less than 20%, GEO 3/2018 brings no benefits;
- In case of salary increases of more than 20%, the health insurance contribution supported from the state budget decreases degressively, up to zero, the higher the increase;
- The health insurance contribution compensation from the state budget is granted for employment contracts in force as at December 31st, 2017 only.

2. Computation of social security contributions for persons benefiting from medical leave allowances

Starting January 1st 2018, the social security contributions computation base for individuals receiving medical leave and health insurance allowances, except in cases of work accident or professional diseases, is represented by the health insurance allowance (compared with 35% of average gross salary).

3. Social security contributions and health insurance contributions for salary revenues derived from a full-time or part-time employment contract

In case of individuals deriving salary revenues from full-time or part-time employment contracts, for which the social security contributions and health insurance contributions may not be less than the social security contributions relating to the minimum gross salary per country, the GEO provides that these employees shall bear social security contributions and health insurance contributions at the level of gross revenues actually derived and the difference in contributions up to the minimum salary shall be borne by the employer on behalf of the employee.

For any additional information, please do not hesitate to contact us.

Editors

Țuca Zbârcea & Asociații Tax S.R.L. is the specialised tax consultancy entity of Țuca Zbârcea & Asociații, offering a full range of advisory and compliance services. Țuca Zbârcea & Asociații Tax S.R.L. covers transaction planning, operational tax advice, efficiency structures (tax optimization schemes), tax reviews and due diligence, tax authorities' audits and dispute resolution (including mitigating the risks and the potential impact of time-consuming disputes with local fiscal authorities), tax compliance and representation, as well as transfer pricing. Our team comprises seven tax consultants previously working in management positions with Big Four companies and the Ministry of Finance. The group cooperates closely with the firm's lawyers specialising in administrative law, as well as contentious-administrative disputes.

Țuca Zbârcea & Asociații Tax S.R.L. is a proud member of A.R.S.I.T. - Asociația pentru Reformarea Sistemului de Impozite și Taxe - a nonprofit organisation created in an effort to represent the voice of the Romanian taxpayer in relation to state authorities.



Alexandru Cristea
Tax Partner
+4 037 413 61 15
alexandru.cristea@tuca.ro

**TZ/A CONSULTANȚĂ
FISCALĂ**

TAX ENTITY OF ȚUCA ZBÂRCEA & ASOCIAȚII

Șos. Nicolae Titulescu nr. 4-8
America House, Aripa de Vest, et. 8
Sector 1, 011141, București, România
T + 4 021 204 88 90
F + 4 021 204 88 99
E office@tuca.ro
www.tuca.ro/tax

This material is for reference only. It does not seek to provide final fiscal advice, which may be requested according to each specific issue. For details and clarifications on any of the topics dealt in this Fiscal Bulletin, please do not hesitate to contact the tax consultants indicated hereinabove.