



1. Applicable Law on Payroll

The general provisions regarding the Romanian payroll system are settled in accordance to the following:

Romanian Labour Code, Health, Insurance and Unemployment Laws and Regulations and Romanian Tax Code.

2. Social Insurance Foundation

The contribution rates to the state social insurance funds are determined on an annual basis by the law on social insurance budget approval and the law on health insurance.

A. The social insurance contribution rates for year 2019 are as follows:

- **25%** Employees' contribution;
- **4%** Employer's contribution for hard work conditions;
- **8%** Employer's contribution for special work conditions.

These rates apply to the monthly gross.

The social insurance contribution is fully the liability of the employees. As for the other categories of insured persons, who are not employees or who do not work for a certain employer, the contribution is also entirely due by the insured and will be in proportion with the gross insured income.

The social insurance contribution cannot be lower than the social insurance contribution obtained by applying the above rate to the minimum gross salary available at the moment of the calculation, corresponding to the number of working days from the period. This provision does not apply to the following categories of employees:

- students younger than 26, who are currently enrolled in a school;
- apprentices aged up to 18 years;
- persons having disabilities and persons who have the right to work less than 8 hours/day by law;
- retired individuals in the public pension system, except retired persons who benefit from special laws and the ones who cumulate public pensions with private pensions;
- individuals who - during the same month -are realizing salary incomes from two or more labor contracts and the cumulated monthly base of calculation is at least equal with the minimum gross salary available at the moment of calculation.

The minimum gross salary for 2019 is as follows:

- ✓ **2,080 Ron** for a full time job;
- ✓ **2,350 Ron** for a full time job that requires university studies and for having at least 1 year seniority in a domain of university studies.

The employer will calculate, withdraw and pay the social insurance contribution to the social insurance fund on a monthly basis.

B. The health insurance contribution rate for 2019 is 10%.

This rate applies to the monthly gross income.

The health insurance contribution is fully the liability of the employees. As for the other categories of insured persons, who are not employees or who do not work for a certain employer, the contribution is also entirely due by the insured and will be in proportion with the gross insured income.

The employer will calculate, withdraw and pay the social insurance contribution to the social insurance fund on a monthly basis.

C. The working insurance contribution rate for year 2019 is 2.25%.

This rate applies to the monthly gross incomes.

The working insurance contribution is fully the liability of the employer.

The working insurance contribution is not owed for the amounts supported from the State's Social Insurance Budget, Unemployment Insurance Budget and from the Health Insurance Budget.

Summary of social contributions for an employee who works in normal conditions:

Contribution to the social insurance system	25 % (owed by employee; retained and paid by employer)
Contribution to the health social insurance fund	10 % (owed by employee; retained and paid by employer)
Working insurance contribution	2.25 % (owed and paid by employer)

3. Income tax and tax deductions

The Romanian Tax Code provides that individuals are taxed with **10%** for the salary incomes.

The personal deduction applicable for salaries up to 1,950 Ron is 510 Ron.

Personal deduction is digressive for taxpayers with monthly gross salary between 1,951 Ron and 3,600 Ron. The increase of salary results in a decrease of personal deductions.

Some supplementary deductions may be granted if the employee has dependents.

No personal deduction is applicable for monthly gross salaries higher than 3,600 Ron.

4. Employment Procedure

According to the Romanian Labour Code, the individual labour contract is concluded based on the parties' mutual consent, recorded in writing, in Romanian. The obligation to conclude individual labour contracts is incumbent on the employer. The employer is obliged to provide to the employee a copy of the employment contract before commencing work.

Before concluding or amending any individual labour contract, the employer must inform the applicant or the employee, as the case may be, on the general provisions he intends to insert/amend in the contract, such as: the parties' identity, the workplace details, the employer's residence or headquarters, risks of work, contract duration, position/occupation as per the Classification of Occupations in Romania, terms and conditions of the prior notice to be served by the contracting parties, the basic salary, the applicable collective labour agreement, etc.

Any amendments of the above-mentioned elements shall involve execution of an addendum to the contract, which must be recorded at the Labour Chamber online by use of the Revisal program at least one day prior to the change. An exception is made for the change of the salary and bonuses, which must be recorded at the Labour Chamber via the Revisal program within the 20th day of the change.

The provisions of the individual labour contract may not be contrary to or grant employee rights below the minimum level established by the relevant legislation or by the collective labour agreement.

The Labour Code provides for the following types of individual labour contracts:

- a) Labour contract for a determined duration;
- b) Temporary labour contract;
- c) Part-time individual labour contract;
- d) The individual labour contract for home work;
- e) Apprenticeship contract.

As a rule, the Labour Code provides the conclusion of an individual labour contract for an indefinite period.

Working hours

The normal working hours are 8 hours/day or 40 hours/ week in average.

For people under the age of 18, the normal work time is 6 hours/day and 30 hours/week.

Employees may opt for an irregular distribution of the working hours, but strictly observing the total normal working hours of 40 hours/week.

The maximum legal working hours may not exceed 48 hours/week, including overtime work.

By exception, working hours (including overtime), may exceed 48 hours/week if the average of working hours calculated over a period of four months does not exceed 48 hours/week.

5. Protection of Employment

Holidays: For each employee, the annual holiday leave is of minimum 20 working days.

The right to annual leave cannot be subject to any waiver, assignment or limitation.

The official holidays, as well as the paid days off, stipulated in the applicable collective labour agreement are not included in the annual leave.

Additionally, according to the Labour Code, the employees have the right to paid days off for certain family events or for other particular situations.

Illness: In case of illness the employer must pay the sick leave days, typically the working days from the first five calendar days of illness, depending on the illness category, the difference being paid by the FNUASS Fund. The payment rates are between 75-100% of the base salary.

Maternity: The total maternity leave amounts to 126 calendar days. One of the parents has the right to two years leave for baby care, paid by the municipality with 85% of the average of the net salaries of the last 12 months, but not less than 1,250 Ron and not more than 8,500 Ron.

6. Payroll Calculation Procedure

The monthly payroll must be printed, stamped and archived and includes the calculation for all contributions of the employer and employee and the tax on income.

The due date for payment of all taxes related to the salaries is the 25th of the next month.

Declaration of the taxes to the consolidated state must be submitted to the relevant authorities, the latest on the 25th of the next month.

An informative declaration regarding the incomes from salaries and remunerations of administrators obtained in the previous year in Romania by persons who are residents of other EU countries, must be submitted to the tax authorities the latest on February 28th of each year.

7. Termination of Employment

The individual labour contract may cease either lawfully, pursuant to parties' mutual consent, on the date agreed, or further to the one of the parties' initiative, under the terms and conditions provided by law.

Resignation

Based upon a written notification, the employee has the right to inform the employer of the termination of his/her individual labour contract, after the completion of a prior notice term. The employee is not bound to justify such resignation. The notice term will be established by the parties in the contract or be subject to the provisions of the applicable collective labour contracts, and cannot exceed 20 calendar days for the employees in executive positions, and 45 calendar days for management positions.

Termination of Employment

The dismissal represents the cessation of the individual labour contract based on the employer's initiative and may occur:

- for reasons due to the employee's fault, or
- for reasons independent of such fault

The notice period for dismissal is 20 working days.

The employees may not be dismissed, among others, in the following situations:

- a) during the employee's temporary working incapacity;
- b) during pregnancy, if the employer was aware of the woman's condition before her dismissal;
- c) during maternity leave;
- d) during annual paid leave.