

Tax alert

December 14, 2022



List of contents

- ♦ ***Guaranteed gross minimum wage for 2023***
- ♦ ***The new framework model of the individual employment contract***
- ♦ ***Introduction of an amount of 200 lei as non-taxable wage income***
- ♦ ***Changes to parental leave and monthly child-raising allowance***

ECOVIS Romania: payroll and human resource services

Dear Customer,

On 9 December 2022, Decision No 1447 of 2022 on the establishment of the minimum gross basic wage per country guaranteed in payment was published in the Official Gazette No 1186.

Guaranteed gross minimum wage for 2023

From 1 January 2023, the minimum gross wage guaranteed for payment will be 3,000 lei, excluding bonuses and other allowances, for full time working period, day averaging 165.333 hours per month, representing 18.145 lei/hour. Consequently, is registered an increase of 17.64% compared to the minimum wage valid in 2022 (2550 lei).

Please see below differences generated from 1 January 2023 vs. 2022 by this increase in the gross minimum wage. The table shows the taxes due for a gross minimum wage of 2,550 lei (applicable in 2022) versus 3,000 lei (applicable in 2023).

Description	Year 2022	Starting 01.01.2023	Variation
Minimum gross salary	2550	3000	450
Social contributions employee	893	980	87
Income Tax	133	122	-11
Net Income	1524	1898	374
Insurance contribution to work	57	63	6
Total cost employer	2607	3063	456

Important: Starting from 1 January 2023 for facilities granted in the construction sector, the minimum gross wage will be 4,000 lei as it was adopted by another normative act, namely GEO no. 168/2022 published in the Official Gazette no. 1186 of 09.12.2022.

Failure to comply with the provision on guaranteeing payment of the minimum wage of 4,000 lei constitutes a contravention and is punishable by a fine of 300 lei to 2,000 lei and entails the cancellation of the tax facilities.

Below we present the taxes due for the construction sector for a minimum gross wage of 3,000 lei (applicable in 2022), versus 4,000 lei (applicable in 2023).

Description	Year 2022	Starting 01.01.2023	Variation
Minimum gross salary	3000	4000	1000
Social contributions employee	638	850	212
Income Tax	0	0	0
Net Income	2362	3150	788
Insurance contribution to work	68	90	22
Total cost employer	3068	4090	1022

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ATTENTION!!!

In the fields of "Agriculture" and "Food industry", the minimum gross wage remains 3,000 lei per month

The change in the minimum wage has implications also for all income categories included in the Individual Tax Return!

The annual basis for calculating the social security contribution for persons earning income from self-employment and income from intellectual property rights in 2023 is the taxpayer's chosen income, which may not be less than:

- *the level of 12 gross minimum wages (36,000 lei – year 2023) in the case of income between 12 and 24 gross minimum wages;*
- *the level of 24 gross minimum wages (72,000 lei – year 2023) in the case of income above 24 gross minimum wages.*

The annual basis for calculating the social health insurance contribution for persons who in 2023 earn income from: self-employment, intellectual property rights, transfer of use of goods, investments, other sources, etc., is represented by:

- *the level of 6 gross minimum wages, i.e. 18,000 lei, in the case of income between the equivalent of 6 and 12 gross minimum wages (18,000 lei – 36,000 lei in 2023);*
- *the level of 12 gross minimum wages, or 36,000 lei, in the case of income between the equivalent of 12 and 24 gross minimum wages (36,000 lei – 72,000 lei in 2023);*
- *the level of 24 gross minimum wages, i.e. 72,000 lei, in the case of income above 24 gross minimum wages (above 72,000 lei – in 2023).*

The increase in the gross minimum wage also affects other rights and obligations, such as:

- *increasing the employer's contribution to the fund for disabled people;*
- *increase in income rules for self-employment income imposed on the basis of income rules .*

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The new framework model of the individual employment contract

On 9 December 2022, Order No 2171/2022 was published approving the new framework model of the individual employment contract .

Thus, the individual employment contract concluded between the employer and the employee must contain the elements set out in the framework model. By negotiation between the parties, the individual employment contract may also include specific clauses, in accordance with the law.

Please find attached the new framework model of the individual employment contract.

Please note that for employees whose employment relationship was established prior to 09.12.2022, additional information on the conditions applicable to the employment relationship shall be provided by the employer, upon request, within a maximum of 30 working days from the date of receipt of the employee's written request. The absence of such a request does not preclude the application of the minimum rights laid down in Law No 53/2003 – Labor Code.

In view of the need to include other employee benefits in the employment contract, you will find in the attached new framework model a **list of employee benefits** that will have to be reported from January 2023 onwards (in Statement coded 112).

Please define them to be included in the contract according to the existing provisions of your company (the benefits you grant).

Introduction of an amount of 200 lei as non-taxable wage income

According to GEO 168/2022, as of 1 January 2023, for employees working under an individual employment contract at the place where the basic function is located and who are employed full time, no income tax and social contributions are due for the amount of 200 lei/month, for income from wages and salaries, if the following conditions are met cumulatively :

- a) the level of the gross monthly wage established according to the individual employment contract, not including bonuses and other allowances, is equal to the level of the gross minimum wage applicable for the month to which the income is related (from 01 January 2023 – 3,000 lei);
- b) the gross income from wages and salaries under the same individual employment contract for the same month does not exceed 4,000 lei.

Please note: The condition in (a) above is not deemed to be met if the gross monthly salary is reduced to reach the minimum wage level.

The above provisions also apply under the same conditions to employees working in the "Agriculture" and "Food industry", who do not benefit from the tax facilities provided for in the Tax Code specific to this sector.

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The non-taxable amount of 200 lei is reduced by:

- a) the period of the month during which the basic wage is maintained at the level of the gross minimum wage (e.g.: wage change during the month);*
- b) the date from which new employees are employed at a wage level equal to the level of the gross minimum wage (e.g.: hiring during the month);*
- c) the fraction of the month for which income from wages and salaries is determined (e.g. unpaid leave);*
- d) the date from which the individual employment contract ends .*

Changes to parental leave and monthly child-raising allowance

GEO No 164/2022 amending and supplementing GEO No 111/2010 on parental leave and monthly child-raising allowance, which entered into force on 7 December 2022, modifies the possibility of transferring part of the parental leave between parents if a parent did not initially request this right by increasing this non-transferable period from at least one month to at least 2 months of the total leave period.

Other amendments provided for by GEO No 164/2002 concern:

- increasing the level of taxable income that can be earned by a parent during a calendar year during parental leave, without affecting the right to receive the allowance, from 5 to 8 child-raising allowances (CCI), i.e. from 6,500 lei to 10,512 lei;*
- suspension or cessation of payment of monthly child-raising allowance if the child's disability certificate expires during the period of child-raising leave;*
- the introduction of a notice period of at least 10 days which the employee gives to the employer when exercising her entitlement to parental leave and monthly child-raising allowance, by means of a paper or electronic request, before the end of her maternity leave or before the estimated starting date of her parental leave, specifying the period she expects to take parental leave;*
- the introduction of leave and the accommodation allowance granted to adoptive parents as an assimilated period for acquiring entitlement to parental leave and monthly child-raising allowance.*
- the amount of the monthly child-raising allowance cannot be less than 1,314 lei/child.*
- 50% extra monthly allowance for children born of twins, triplets or multiplets, starting with the second child (so 50% extra allowance for each child). The same measure will apply to overlapping pregnancies, i.e. mothers giving birth during childcare leave.*

ECOVIS Romania: One Stop Shop

Accounting

- Financial Accounting;
- Preparing & registering tax statements for legal and natural persons, both Romanian and foreign;
- Harmonizing the national financial accounting with the accounting norms of the parent-company;
- Preparing and certifying the annual financial situations;

Audit

- Financial audit according to ISA;
- Restatement of financial statements prepared according to national regulations, to International Financial Reporting Standards (IAS/IFRS) or Reporting Standards specific to the Client (GAAP);
- Financial audit required by the group's policy;
- Internal audit;
- Audit missions such as: agreed procedures (ISA 4.400), revisions (ISA 2.400), due diligence;

Payroll & HR

- Payroll services;
- Managing, auditing and registering the personnel files according to legal bindings and to the company's regulations;
- Preparing the job descriptions and of the Internal Order Regulation specific to Client's activity;
- Interface with banking applications and performing of salary payment transactions;
- Staff appraisal and selection for accounting/HR departments;

Consulting

- Tax consulting
- Assistance for drafting & updating the **transfer pricing file**;
- Consulting for M&A, company restructuring;
- Assistance in implementing IT solutions regarding: financial and management accounting, employees' records, payroll, management reports, etc.;
- Tax registration of various entities and VAT payer registration;
- Tailored information regarding significant law.

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