No. 5/7 January 2011

Government Ordinance no. 117/2010 to modify Law no. 571/2003 regarding the Fiscal Code and other financial measures was published in the Official Gazette no. 891/30.12.2010.

As mentioned in our newsletter no 3 from 4 January 2011, the Fiscal Code also regulates the social security charges (retirement insurance, unemployment insurance, health insurance, work related accidents insurance and sickness leave insurance).

You can find below the main issues provided by the Fiscal Code regarding mandatory social contributions.

1. The category of taxpayers included in social security system are defined

2. Monthly basis for calculating mandatory social security contributions
   a) Monthly calculation basis for the persons referred to in art. 296^3 letter. a) and b), (resident and non-resident individuals who derive income under an individual employment contract) is the realized gross incomes derived from dependent activities, domestically and abroad, complying with international legal instruments to which Romania takes part, which includes among others, salaries and other similar incomes or benefits related to salaries.

   If total income is higher than 5 times the value of the gross average wage, social insurance individual contribution is calculated within this threshold, for each source of income.

   Gross average wage to be used is the one provided by state social security budget for 2011 that is 2,022 lei.

   b) Monthly calculation basis for persons under art. 296^3 letter. e) and g), (natural and legal persons who act as employers), ***in the public pension system***, is the sum of the realized gross incomes of the insured persons. This base could not be higher than the product of the number of insured persons and the corresponding value of 5 times the average gross wage.

      - for persons provided under art. 296^3 letter. e) and g), the monthly calculation basis for ***health social insurance contributions and contributions for holidays and health insurance*** is the sum of gross realized incomes. The monthly calculation basis related to contribution for holidays and health insurance benefits, could not be greater than the product of the number of insured persons for the month in which contributions are calculated and the corresponding value of 12 minimum salaries guaranteed for payment.

- monthly basis for calculating the ***unemployment insurance contribution*** provided by law is the sum of gross incomes.

- for the monthly obligation to pay the contribution to the ***Guarantee Fund for payment of salary claims***, the monthly calculation basis of this contribution is the sum of the gross realized incomes of employees under the individual employment contract.

- monthly basis for calculation of the insurance contribution related to ***work related accidents and sickness leave insurance*** is the sum of monthly gross realized incomes, the national gross minimum wage guaranteed for payment respectively, corresponding to the number of working days of sick leave, except for cases of work accident or sickness.

3. If the persons benefits by medical leaves and health social insurance, except for cases of work accidents or sickness, the monthly basis calculation of social insurance contribution due to state social insurance budget is the sum representing 35% of gross average incomes, corresponding to the number of working days from sick leave.

4. For persons who derive income of a professional nature, the calculation base of individual social insurance contribution due to social insurance state budget and individual contributions due the unemployment insurance budget is established according to art. III of the Emergency Ordinance no. 58/2010, as amended.

5. The Ordinance details the categories of incomes that are not included in the monthly mandatory social security contributions.

6. Amount due for participation of employees in Company's profits, according to the law, shall not be included in the monthly basis of social insurance contribution, and of the insurance contribution for work accidents and sickness.

7. Administrators allowance is provided as an exception and social insurance contributions (both employer and employee) and also the contributions for work accidents and sickness due by the employer ***are not due***.

8. Individuals and legal entities referred to in art. 296^3 letter. e) and g) are required to submit to the health insurance houses, until 15 February 2011 Inventory-Declaration on the contribution for holiday and health insurance benefits on the balance outstanding at 31 December 2010 and not paid until 31 January 2011, including related accessories.