

Romania

1. Government requirements

Registration requirements

Registration of local employees

In Romania, there are no registration requirements for local employees in terms of social security or for income tax purposes.

Registration with the Tax Office

Registration with the appropriate Tax Office is not necessary if the company (local employer) was registered as a paying payroll taxpayer upon its establishment and incorporation with the Romanian Trade Register. Each company shall be registered with the Romanian Trade Register, once their legal entity is established in Romania.

As a general rule, a company (employer) is administered by the territorial Tax Office where its headquarters is located. For large and medium taxpayers as well as representative offices of foreign companies, the Tax Offices are defined by law.

Documents to be submitted to the appropriate Tax Office for registration of the company as a payroll taxpayer (applicable if the company was not registered as a payer of payroll taxes upon its incorporation with the Romanian Trade Registry) are:

- Tax registration declaration
- Copy of the individual employment agreement (IEA) concluded with the first employee or an extract from the General Registry of Employees

Timing: Documents must be submitted within 30 days of hiring the first employee.

The employer's failure to comply with the abovementioned filing deadline may trigger a fine as stipulated in the applicable legislation (i.e., between RON500 and RON1,000, approximately €110–€220).

Governing legislature: The governing legislature includes the Romanian Fiscal Procedure Code (i.e., Law no. 207/2015 regarding the Fiscal Procedure Code); Order no. 3698/2015 approving the forms for the tax registration of taxpayers.

Registration with the Territorial Labour Chamber — General Registry of Employees

As per the Romanian Labor Law, all employers have the obligation to prepare and submit information to the Territorial Labor Chamber for the electronic General Registry of Employees.

The employer has two possibilities for filing information with the Registry:

1. One is to nominate, in writing, one or more persons (employees of the company) who are responsible for filing information with the Registry.
2. The other is to conclude a service agreement with a service provider registered with the competent labor authorities. The service provider is mandated to perform the necessary formalities for filling information with the Registry. In this case, the employer must inform the labor authority in writing about the conclusion of the services agreement with the respective service provider.

Deadlines for filing information with the General Registry of Employees on the Labor Chamber website:

- New employment contract: This must be filed one working day prior to the first day of employment as stipulated in the I&EA.
- Contract termination: This shall be recorded in the register no later than the date of termination of the I&EA.
- Contract suspension: This must be filed one working day prior to the first day of the I&EA suspension.
- Amendment of employment contract (e.g., new position, type and duration of the I&EA, duration of working time, time distribution in case of part-time labor): The amendment shall be recorded at least one working day prior to the first day of the I&EA change. Gross salary changes shall be recorded in the register no later than 20 working days from the date of change.

A breach of the legal provisions related to the fulfillment of the registration obligations in due time as well as the provision of false or inaccurate information may be subject to various fines.

According to the applicable legal provisions is applicable for the employer's failure to submit information to the General Registry of Employees at the Territorial Labor Chamber within the legal deadline:

- A fine of RON5,000 to RON8,000 (€1,100 to €1,700) is imposed for failure to submit information on new employees to the Registry within the legal deadlines.

Governing legislature: The governing legislation is the Romanian Labor Code (Law 53/2003), republished and subsequently amended, and Decision No. 905/2017 on general registry of employees, with subsequent amendments.

Ongoing compliance requirements

Employment income

The income tax as well as social security and healthcare charges applicable to employment income are mainly governed by the Romanian Fiscal Code (Law No. 227/2015 regarding the Fiscal Code with subsequent amendments).

According to Romanian legislation, individuals earning salaries under local employment agreements fulfill their tax obligations through employer withholdings.

For individuals on local payroll (Romanian nationals or foreign citizens), the local employer must compute, withhold, declare and pay the income tax and social security charges by the 25th of the month following the month for which the salary income is paid.

As an exception, entities that meet certain criteria established under the law may declare and pay the income tax and social security charges on a quarterly basis.

Income tax

A flat tax rate of 10% applies to salary income.

Taxable compensation includes the following:

- Salaries
- Benefits in cash or kind (for example, allowances and perquisites)
- Wage premiums
- Rewards

- Medical leave allowances (with certain exceptions, such as allowances for maternity leave, sick childcare leave and maternal risk leave, which are exempted from income tax under the law)
- Paid holidays
- Other income received by an individual on the basis of an employment agreement, document for appointing civil servants, secondment agreement or a special statute in the law
- Fees and compensation paid to directors and managers of private enterprises and to members of the board of directors, general shareholders, administration council and audit committee
- The monthly income tax on employment income determined by applying Ten percent to the monthly computation taxable base, which is established by deducting from the total gross monthly income of the following:
 - Mandatory social security charges
 - Personal deductions under the law
 - Trade union contributions (if required)
 - Contributions to the voluntary occupational pension scheme and contributions to the voluntary health insurance scheme, if applicable (each of them is capped to a maximum of the equivalent in Romanian leu of €400 per year per participant)

Personal deductions granted for income tax computation purposes

Individuals domiciled in Romania and individuals meeting the residence criteria for worldwide income taxation are entitled to personal deductions, which vary according to their gross monthly income and number of dependents. For gross monthly income up to RON1,950, the monthly deductions vary between RON510 for individuals without dependents and RON1,310 for individuals with four or more dependents. For gross monthly income between RON1,950 and RON3,600, an order of the Ministry of Economy and Finance sets the deductions. No deduction is allowed for gross monthly income greater than RON3,600.

Dependents on an employee may be the spouse, children or other family members, or relatives of employee or spouse up to the second-degree relatives inclusively, whose monthly income, either taxable or non-taxable, does not exceed RON510.

Social security and healthcare charges

Both employers and employees must contribute to the social security system.

Employees are required to pay the following monthly charges:

- Social security contribution (pension): 25% of monthly gross salary earnings
- Health fund contribution: 10% of monthly gross salary earnings

The payment of such taxes withheld from the gross salary is made by the employer to the state budget.

Employers are required to pay the following monthly charges

- Work insurance contribution: 2.25% of total monthly gross salary income
- Contribution for disabled people: Companies with at least 50 employees are under the obligation to hire disabled people representing 4% from the total number of the employees. Entities that do not employ persons with disabilities as mentioned above, shall pay monthly to the state budget an amount representing the minimum gross national salary guaranteed multiplied by the number of jobs in which they have not employed persons with disabilities.

From January 2019, according to the Government Ordinance 114/2018 several values of the minimum gross national salary are used in the same period, differentiated according to studies, seniority or other criteria provided by the law.

Citizens of European Union (EU) countries and Switzerland employed locally in Romania benefit from cover for medical expenses incurred in Romania and may be exempted from social security charges if relevant European certificates are obtained. However, if an individual is not subject to social security charges in his or her home country, he or she falls under the Romanian social security system and is liable to pay social security charges in accordance with Romanian regulations.

Corporate statutory monthly payroll statement

This includes the minimum information as provided by Order No. 2634/2015 regarding financial and accounting documents; the statement is prepared every month (12 statements per year). The statutory monthly payroll statements are not filed with the authorities. However, these

shall be prepared on a monthly basis and shall be kept by the employer for 50 years as of the end of the financial year when the documents are prepared.

Monthly payroll related tax return

This is the "Declaration on payment obligations of social contributions, income tax and nominal records of the insured individuals" (form 112) in the format provided by Order No. 611/138/127/2019; the return is made every month (12 tax returns per year).

Monthly payroll related disability fund

This is the "State Budget Liabilities return" (form 100) in the format provided by Order No.1203/10.05.2018; the return is made every month if the applicable conditions according by the law are met (Law 448/2006).

Payroll-related statistics reports

These filings are required by the National Institute of Statistics (i.e., a monthly report, quarterly report and annual report) according to Law No. 226/2009 on the organization and functioning of official statistics in Romania, which was amended and supplemented.

Application for recovery of medical allowances

This applies to the medical allowances paid by the employer and covered from the National Fund of Social Health Insurance, as provided by Emergency Ordinance No. 158/2005 on leave and health insurance allowances, with subsequent amendments and implementing rules; this application should be filed on occurrence of such a case, according to the law.

Employees' annual fiscal records (i.e., annual salary certificates)

There is no obligation for the employer or employees to prepare or file an annual payroll related tax return for salary incomes. Upon the employee's request, the employer must prepare and provide him or her a salary certificate which should include certain information as provided by the Fiscal Code but not in a standardized form. The frequency of this filing is once a year.

The electronic General Registry of Employees

This filing should be made by the employer according to the Romanian labor legislation in force, i.e., the Romanian Labor Code (Law 53/2003, republished and subsequently amended); Decision No. 905/2017 on general registry of employees, with subsequent amendments. This application should be filled on occurrence of such a case, according to the law.

2. Pension requirements

Registration requirements

Registration requirements related to pension are not applicable here. Pension contribution in Romania is one of the obligatory contributions (as described earlier).

Optional pension scheme (Pillar III)

The act which regulates the functioning of the third pillar of the pension system in Romania is Law 204/2006 regarding optional pensions, with subsequent amendments.

Optional pension is a type of pension for which the contribution is an individual choice, requiring an additional payment made by the employee. Eligible individuals can contribute voluntarily to the optional pension funds authorized by law by taking out their own agreement.

In addition, employers can also contribute to Pillar III, thus providing a benefit to their employees.

The employee's contribution to the voluntary occupational pension scheme is deductible for the purposes of salary income tax, within a limit of the equivalent in Romanian leu of €400 per year per participant.

Such deduction is granted by the employer through the monthly payroll computation on the basis of supporting documentation presented by the employee (as provided in the Fiscal Code).

Ongoing compliance requirements

Ongoing compliance requirements related to pension are not applicable here. The pension contribution in Romania is one of the obligatory contributions and it is reported as part of the monthly social security return.

3. Employment obligations

Employment legal framework

Employment relations are mainly governed by the Romanian Labor Code (Law 53/2003, republished and subsequently amended). The Labor Code applies to Romanian employees who have concluded their employment contracts with a Romanian employer for the performance of work in Romania or abroad, as well as to foreign individuals with employment contracts who perform activities for a Romanian employer in Romanian territory.

Types of employment contracts

As a general rule, employment contracts are concluded for an indefinite term. In addition, other forms of employment are permitted, such as fixed-term employment agreements, temporary employment, part-time employment and flexible working arrangements (home-based work).

Minimum monthly gross basic guaranteed salary in Romania

The minimum monthly gross basic salary guaranteed to be paid in Romania, corresponding to normal working hours, is established annually by government decision, after consultation with trade unions and employers' organizations. If the normal workday is, according to the law, under eight hours, the minimum gross basic salary per hour shall be computed as the ratio between the minimum gross basic salary and the average number of hours per monthly salary according to the legal working hours approved.

The employer cannot negotiate and establish basic salaries through the IEA under the minimum gross basic salary per hour in Romania.

As of 1 January 2019, the minimum gross national applicable to all categories of full-time employees is differentiated according to studies, seniority or other criteria provided by the law (RON 2.080; RON 2.350; RON 3.000).

Special clauses in employment contracts

Before or upon the conclusion of a new employment contract or amendment to an existing one, employers have the obligation to inform employees about the terms of their employment (e.g., duration of the agreement, working time, salary, leave periods and allowances). Along with the general terms, an individual employment contract may also include special clauses, such as non-competition, mobility and confidentiality.

Working hours and paid holidays

Regular working hours are eight hours per day, 40 hours per week for full-time employment contracts. For part-time contracts, the number of standard hours of work is established in the employment contract and is less than 40 hours per week. The average number of hours worked per month is 168, but it may vary depending on the number of working days or month.

As a rule, the distribution of working time is uniform (eight hours per day over five consecutive days). After five days of work, employees are entitled to a weekly rest of 48 consecutive hours, usually on Saturdays and Sundays.

Work performed outside the standard hours of work is considered overtime. As a rule, working time, including overtime, cannot exceed 48 hours per week. However, for calculating overtime, employers can establish reference periods of four months or six months (for certain activities established in the Collective Bargaining Agreement).

Overtime cannot be performed without the employee's consent. As a rule, overtime is compensated with free time within the next 60 calendar days. Otherwise, the employee is entitled, in addition to the corresponding salary, to a compensation of at least 75% of the gross base salary. Under part-time employment contracts, overtime is forbidden.

In addition, special work conditions are established for certain categories of employees (e.g., employees under 18 years old, disabled persons and pregnant women) and for work performed under certain circumstances (e.g., night work, work in shifts, and work performed under dangerous or harmful conditions).

Employees are entitled to a minimum of 20 business days of annual paid leave.

Employees working under heavy, dangerous or harmful conditions, blind or other people with disabilities and young people under the age of 18 are entitled to an additional leave of at least 3 working days.

Work on legal holidays, when the activity of the company does not fall into the category of those whose activity can't be interrupted due to the specific activity (e.g. work in shifts), is considered additional work. Currently, the Labor Code includes 15 legal holidays. As a rule, work during legal holidays is compensated with free time within the next 30 calendar days. Otherwise, the employee is entitled, in addition to the corresponding salary, to a compensation of at least 100% of the gross base salary.

Occupational health and safety

The employer is required to take necessary measures for the security and well-being of its employees. The employer is also required to ensure employees have access to an occupational medical check-up upon employment and periodically.

Professional training

Employers have to ensure that all their employees attend professional training programs as follows:

1. At least once every two years, if there are at least 21 employees
2. At least once every three years, if there are fewer than 21 employees

Employers with more than 20 employees are required to ensure adequate professional training on a continuous basis by setting up an annual training schedule. Moreover, employers are required to grant their employees paid or unpaid leave for professional training purposes.

Employees' representation

The interests of employees can be protected by trade unions or employees' representatives elected at company level in accordance with the labor regulations.

Employers having more than 20 employees have the obligation to initiate and perform negotiations of a collective labor agreement at company level.

Termination of employment contracts

Individual employment contracts can be terminated by means of the following:

1. By law
2. By mutual consent of the parties
3. By either party to the employment contract within the terms and conditions provided by the law. Employers may terminate employment contracts by dismissal for reasons related to the employee (e.g., professional inadequacy, as a disciplinary sanction) or not related to the employee (e.g., job cancellation). Except in the case of disciplinary sanctions, the employer must grant the dismissed employee a termination notice of at least 20 business days.

Correspondingly, employees may also terminate their employment agreement by resignation with a prior notice of maximum 20 business days for non-management positions and 45 business days for management positions.

Employee's file administration

Local labor regulations require employers to maintain physical (paper-based) employee records, i.e., a personal file of each employee kept in proper condition at the employer's registered office.

The personal file of each employee should contain at least:

- The documents necessary for employment (e.g., ID copy, diploma copy, medical certificate issued by work place health provider, authorizations and certificates needed to perform certain activities, as appropriate, and CV)
- The IEA and the job description
- The addendum to the IEA
- Documents attesting the suspension or termination of the IEA as appropriate, (e.g., the employee's request for the suspension of the IEA, the employee's resignation, parties' mutual termination agreement or decisions regarding the suspension or termination of the IEA)

- Any other documents attesting the legality and accurate registration of the IEA or amendments in the electronic general registry of employees (e.g., court decision for rehiring an employee)

Medical leave (including maternity leave)

During medical leave, the IEA is suspended and the employee is entitled to a sick leave allowance (75%, 85% or 100% of the average gross monthly income in the last six months, depending on the type of illness mentioned in the medical certificate). The allowance shall be computed and paid by the employer through the payroll statement for the working days established in the work schedule.

As a general rule, the employer must pay the sick leave allowance for the working days within the first five calendar days from its budget.

The following days of medical leave shall be paid by the employer and recovered from the Health Insurance house. However, there are categories of medical leave which are covered in full by the Health Insurance National Fund (e.g., maternity leave, sick childcare leave and maternal risk leave). The allowances for maternity leave, sick childcare leave and maternal risk leave are paid by the employer and then reimbursed by the Territorial Health House.

Sick leave does not affect the paid annual leave to which employees are entitled.

Parental leave (long childcare leave)

After maternity leave, as mentioned above, one of the parents is eligible for childcare leave (parental leave) until the child reaches two years of age or three years of age in the case of disabled children, provided that he or she has subjected their income to income tax under the Romanian legislation during the last 12 months before childbirth, obtained in the last 24 months of activity.

During childcare leave, the IEA of the employee shall be suspended and the employer should observe labor legislation regarding the suspension of labor contracts.

The employee is entitled to receive a monthly allowance from the appropriate Romanian authorities amounting 85% of the average net income received in the last 12 months before the childbirth. However, the indemnity cannot be less than the amount resulting from the application of a multiplication factor of 2.5 to the reference social indicator and no more than 8,500 RON. The employer has the obligation to prepare and to provide the employee with a salary certificate containing information about the salary incomes obtained in the last 24 months before the childbirth.

Employment certificates for leaving employees

During work relationships or at their termination, the employer shall provide the employee with the following certificates, in the format provided by the law:

- Employment certificates confirming the employee's level of salary income and contribution history for medical leave indemnities purposes
- Employment certificates confirming the employee's level of salary incomes and contribution history for unemployment tax
- Annual salary certificate
- Salary certificates attesting the employee's seniority, gross basic

salary, position and other changes of the employment contract (e.g. suspension, termination of the individual employment agreement) or an extract from the employees register (REVISAL), dated and certified for compliance

- Salary certificates for employees who request parental leave up to the child's age of two years (or three years in case of disabled children)
- Employment certificates attesting that the employee is insured under

National Health System

The employer shall also provide the employee with other salary certificates the latter would require (e.g. for obtaining a bank loan, for fiscal authorities, for children's school), in the requested format.

4. Payroll requirements

According to Romanian Labor Code, employees must be paid on a monthly basis not later than the salary payment date stipulated in the I&A. In Romania, it is common practice to pay out the salaries by the end of a given month or at the beginning of the next month.

Payslips

There is no legal obligation to provide payslips to employees, but the common practice in Romania is to provide them on a monthly basis after the payroll run is confirmed and closed. Payslips can be electronic or hard copy, there is no regulation on this.

Timekeeping

Pursuant to the provisions of the Labor Code, the employer must keep evidence of the hours worked, including the starting and ending hours of the work schedule, by each employee and any type of leave taken (paid or unpaid under the law or applicable internal regulation). The applicable labor legislation does not provide any guidelines with respect to the way in which such evidence should be maintained, e.g., there are no legal guidelines for the format of timesheets.

Payroll information storage

Documents and data from the General Registry of Employees, the personal file of each employee and the statutory monthly payroll statement must be stored for 50 years in appropriate conditions to ensure data security and compliance with legal provisions on the protection of personal data.

Employers are responsible for ensuring these conditions, as well as any damage caused to the employee or to any other natural or legal persons, in breach of these obligations.

In case the employer ceases to operate, payroll documents must be kept in accordance with the provisions of Companies law no. 31/1990", although "Law on trading companies" is also a valid translation republished, as amended and supplemented, or they should be handed over to the State Archives in accordance with statutory provisions, as appropriate.

Governing laws

Accounting Law No. 82/1991; Order No. 2634/2015 regarding financial and accounting documents; Fiscal Code (Law 227/2015), republished and subsequently amended; Law No. 677/2001 and General Data Protection Regulation (GDPR) on the protection of individuals with regard to the processing of personal data and on the free circulation of this data; Labor Code (Law 53/2003), Labor Law 53/2003, republished and subsequently amended; Decision No. 905/2017 on general registry of employees, with subsequent amendments; and the Law on trading companies No. 31/1990.

5. Banking requirements related to payroll

There are no legal restrictions regarding salary transfer. This can be paid from a Romanian bank account but can be also paid from a foreign bank account.

As a general rule, salaries should be paid in Romanian leu as provided by the National Bank of Romania Regulation No. 4/2005 on the foreign exchange regime. Foreign citizens employed locally may receive their salaries in foreign currency provided that certain conditions are met.

Payments to the authorities

There are no legal restrictions, so payments can be made from a Romanian or a foreign bank account number. However, it is recommended to use a Romanian bank account as some foreign banks are not able to transfer amounts in Romanian leu directly into the account of the Romanian public treasury.

As a general rule, the salary income tax and social charges should be paid in Romanian leu using the bank details listed on the Ministry of Finance official website, depending on the Tax Office which administers the employer (e.g., a Territorial Tax Office or a Tax Office administering small, medium or large taxpayers under the law). The governing legislature is the Romanian Fiscal Code; Fiscal Procedure Code and Order No. 1612/2018 on taxes, social contributions and other amounts representing tax receivables payable by taxpayers in a single account.