



# GLOBAL EMPLOYER GUIDE

# ROMANIA





## Basic Country Facts

### Full Name

- Romania

### Capital

- Bucharest

### Main Languages

- Romanian (90%)
- Hungarian
- Romani
- Ukrainian
- German
- Russian
- Turkish
- Tatar
- Serbian

### Population

- 19.53 million

### Monetary Unit

- Romanian leu

### Internet Domain

- .ro

### International Dialing Code

- +40

### Currency

- Romanian leu

# STATUTORY LABOR REQUIREMENTS

## Probation Period

- The trial/probationary period depends on the type of employment agreement:
  - 90 calendar days for execution position
  - 120 calendar days for management position

## Annual Leave

- Employees in Romania are entitled to a minimum of 20 days off per year.

## Public Holidays

- New Year's Day (1st January)
- Day After New Year's Day (2nd January)
- Unification Day (24th January)
- Orthodox Easter Monday (20th April)
- Labor Day (1st May)
- Orthodox Pentecost Monday (8th June)
- Feast of the Dormition (St. Mary's Day) (15th August)
- Andrew's Day (30th November)
- Great Union Day (1st December)
- Christmas Day (25th December)
- Second Day of Christmas (26th December)

## Maternity Leave

- Pregnant employees are entitled to at least 126 days of maternity leave at 85% of their average salary during the previous 6 months; leave is paid by the National Social Security fund.

## Paternity Leave

- Fathers are entitled to 5 days off for paternity leave within the first 8 weeks of the birth.
- This can be extended to up to 15 days if they participate in childcare courses.



## Sick Leave

- Employees are entitled to pay for up to 5 days of sick leave with a compensation of 75% of salary.
- The maximum duration of sick leave is 183 days or up to 18 months for serious illnesses.
- Compensation is provided by the state for sick leave exceeding 5 days.

## Work Hours

- In Romania, it is standard to work eight hours a day, which amounts to a 40-hour, five-day working week from Monday to Friday.
- Normal working hours are between 9am and 5pm.

## Overtime

- Employees are not allowed to work for more than 48 hours a week including overtime.
- Overtime payment for work undertaken during the week is paid at 75% more than the normal rate or, alternatively, employees may be granted equivalent time off in lieu.
- Weekend overtime payments are 100% higher than usual weekly work rates.

## Notice Period

- In the event of termination, employers must provide a notice period of at least 20 working days.
- This does not apply to the dismissal of a worker under a probationary period, a dismissal based on professional inadequacy, or a dismissal based on disciplinary grounds.
- Employees must provide 20 days' notice upon resignation or 45 days' notice for managerial positions.

## Severance

- There is no legal obligation to make severance payments in Romania.

## 13th Month

- The 13th month bonus in Romania is considered a gratuity and is not required by local law.
- Most employers offer performance based bonuses.



## Income Tax

- Individuals domiciled in Romania are considered to be tax residents and are taxed on their worldwide income (with certain exceptions).
- Under certain circumstances, individuals who are not domiciled in Romania may be subject to tax on their Romanian-source income, regardless of where the income is received.
- In the absence of a tax-residency certificate issued by another state based on a double tax treaty, a foreign individual or one who carries out independent activities through a permanent establishment in Romania becomes subject to tax on worldwide income beginning on the date on which the tax-residency criteria are met.
- A flat tax rate of 10% applies to salary income, income from freelance activities, income from intellectual property rights, rental income, pension income, investments, prizes, investment income, agricultural, forestry and fisheries income, and other types of income.
- Special tax rates apply to income such as dividends and income from gambling and transfer of property ownership.
- Taxable compensation includes the following:
  - Salaries
  - Benefits in cash or kind (for example, allowances and perquisites)
  - Wage premiums
  - Rewards
  - Temporary disability payments
  - Paid holidays
- Other income received by an individual based on 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 meeting, administration council and audit committee

Income Tax Rate	
Flat Rate	10%



# Social Security

## Employment income

- The following rates are applicable for employment income:
  - Employee social charges: 35% (25% pension contribution and 10% health fund contribution)
  - Employer social charges: 2.25% (representing the work insurance contribution, which includes unemployment, medical leave, work accidents and the salary guarantee fund)

## Private income (other than employment income)

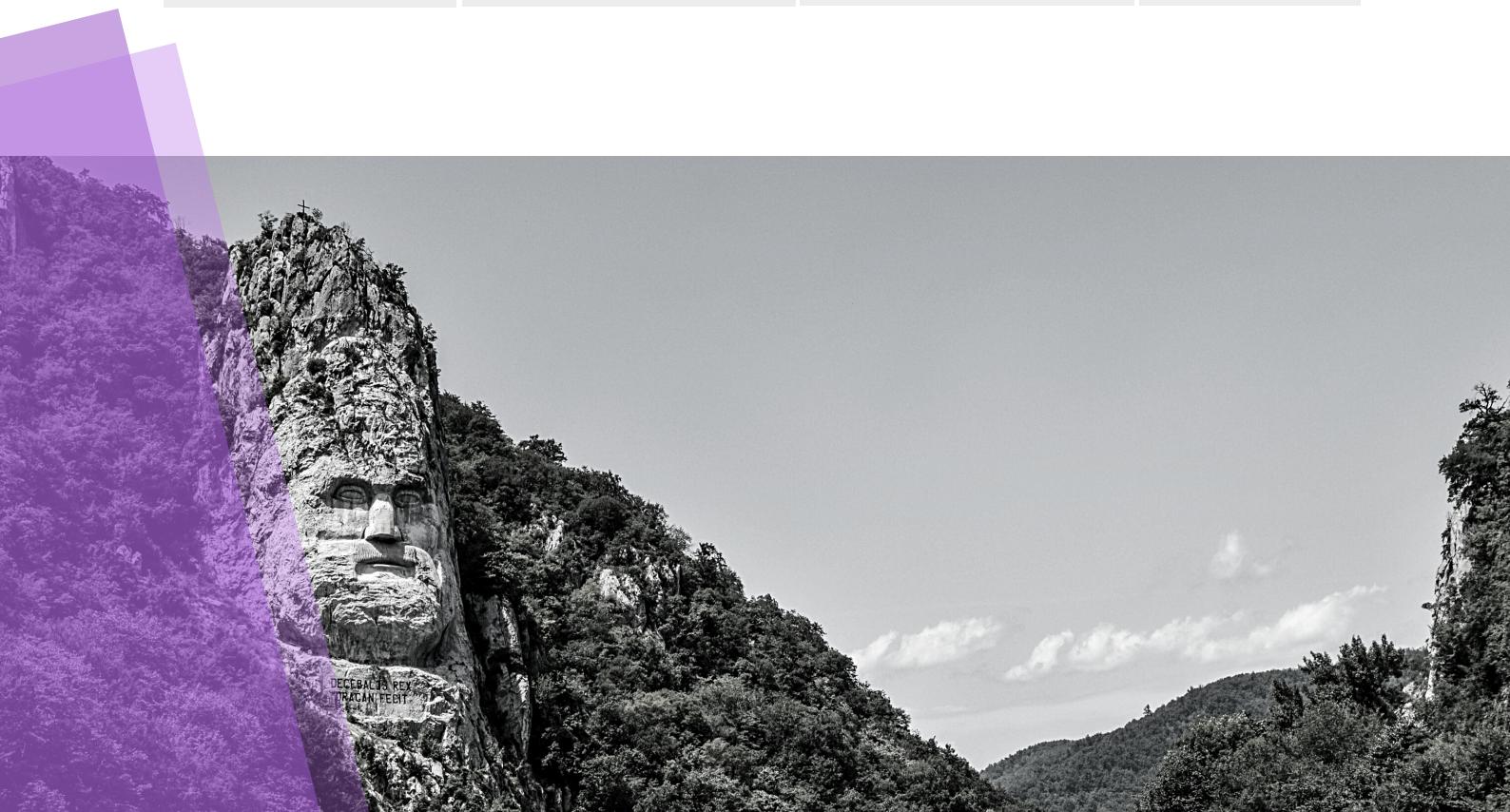
- The following types of private income, other than employment income, are subject to social security contributions:
  - Income from independent activities
  - Income from intellectual property rights
- Under certain conditions, individuals who derive income from independent activities and/or intellectual property rights are liable to pay social security contributions if the cumulated net annual income exceeds 12 minimum salaries per economy (approximately EUR5,280 for 2019).
- The contribution rate of 25% is applied to an amount chosen by the taxpayer that cannot be lower than 12 minimum national salaries per economy.

- The following types of private income, other than employment income, are subject to the health fund contribution:
  - Income from independent activities
  - Income from intellectual property rights
  - Rental income
  - Agricultural, forestry and fisheries income
  - Investment income
  - Income from other sources, as provided by the law
- Under certain conditions, individuals who derive income from one or more of the abovementioned sources are liable to pay health fund contribution if the cumulated net annual income exceeds 12 minimum salaries per economy (approximately EUR5,280 for 2019).
- The contribution of 10% is applied to a capped computation base of 12 minimum national salaries per economy.
- Citizens of European Union (EU) countries and Switzerland benefit from the coverage of 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 (the home-country employer or the employee must follow a certain procedure to register for social security purposes).



## Social Security Contributions

<b>Employee</b>	<b>Employer</b>	<b>Self-employed</b>	
Employee social charges: 35% (25% pension contribution and 10% health fund contribution)	Employer social charges: 2.25% (representing the work insurance contribution, which includes unemployment, medical leave, work accidents and the salary guarantee fund)	Individuals who derive income from independent activities and/or intellectual property rights are liable to pay social security contributions if the cumulated net annual income exceeds 12 minimum salaries per economy (approximately EUR5,280 for 2019).	25%
		Individuals who derive income from one or more of the abovementioned sources are liable to pay health fund contribution if the cumulated net annual income exceeds 12 minimum salaries per economy (approximately EUR5,280 for 2019).	10%

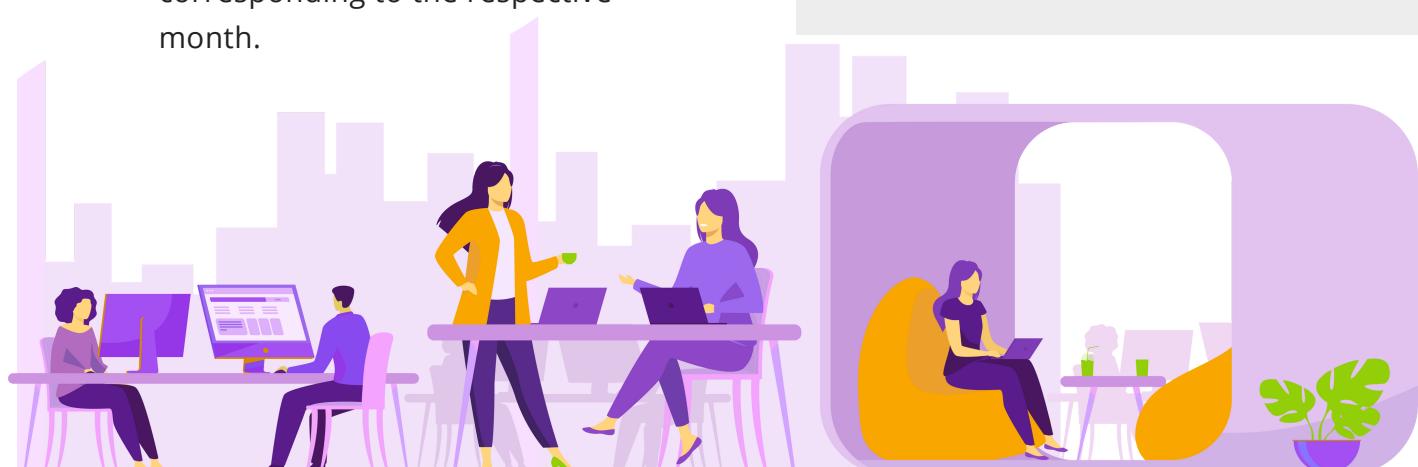


## Deductible Expenses

- For the primary workplace, the following amounts are currently to be deducted from the gross salary income when calculating the taxable income:
  - Individual mandatory social contributions due according to the provisions of the law and in line with the provisions of the European Union (EU) legislation or any social security agreement to which Romania is a party.
  - Personal deductions corresponding to the respective month.
  - Contributions to voluntary pension funds, according to the relevant legislation, to voluntary pension funds classified as such by the Financial Surveillance Authority, made to authorized entities established in the member states of the European Union or the European Economic Area (EEA), up to the Romanian leu equivalent of 400 euros (EUR)/year/employee.
  - Voluntary health insurance premiums and subscriptions to private healthcare facilities borne by employees, up to the Romanian leu equivalent of EUR 400 annually.
  - Trade union membership fees corresponding to the respective month.
- For the salary income obtained in other cases, taxable income is assessed as the difference between the gross salary income and the individual mandatory social contributions, due according to the law, in line with the provisions of the European Union or other social security agreements to which Romania is a party.
- Individual taxpayers may direct 2% or 3.5%, on a case-by-case basis (depending on the beneficiary of the income, as provided by the law), of their annual income tax to charitable purposes.

### Deductible Expenses

- The following amounts are deducted from the gross salary income
  - Individual Mandatory Social Contributions
  - Personal deductions corresponding to the respective month
  - Contributions to voluntary pension funds
  - Voluntary health insurance premiums and subscriptions to private healthcare facilities borne by employees
  - Trade union membership fees
- Individual taxpayers may direct 2% or 3.5% on a case-by-case basis of their annual income tax to charitable purposes which is deductible



# Immigration

- EU and EEA nationals can be seconded to Romania without obtaining a work authorization.
- The seconded individuals must apply directly for a registration certificate.
- In addition, companies based in Switzerland or EU or EEA member states can second non-EU/EEA nationals to Romania without obtaining a work authorization.
- The seconded individuals must apply directly for a residence permit and are required to present to the Romanian authorities the valid residence permit obtained from Switzerland or an EU/EEA member state.
- The secondment of non-EU nationals is limited to one year within a five-year period.
- An extension may be granted if a work authorization for local employment purposes is obtained.
- Foreigners assigned as heads of foreign company branches and foreign citizens named administrators of Romanian companies only need to apply for a residence permit.
- As of September 2016, the EU directive with respect to intracompany transfer (ICT) workers has been implemented in the Romanian immigration legislation.
- Therefore, employees of companies outside the EU, EEA and Switzerland who are subject to an ICT in a leadership position or as a specialist can be seconded to Romania for a period of three years under certain conditions.
- A new type of work authorization for secondment purposes — the ICT work authorization — has been introduced.
- The secondment can be extended after the initial period of three years if the ICT worker leaves Romania and fulfills the conditions for initiating a new secondment process.
- EU Blue Card
  - To live and work in Romania as a highly-qualified worker, your employer must first obtain a work authorization for highly-qualified workers on your behalf.
  - You must hold a university or college diploma from an educational programme that lasted three years or more.
  - Alternatively, you must be able to prove your qualifications by showing relevant professional experience.
  - The gross annual salary resulting from the monthly or annual salary specified in the work contract or binding job offer must be equal to or higher than the relevant salary threshold defined by the Member State (at least 1.5 times the average gross annual salary in the Member State concerned).
  - For 2015, Romania set the minimum salary threshold at: 25 828 EUR.



Type of Visa	Documentation	Validity	Eligibility
<b>Residence Permit</b>	<ul style="list-style-type: none"> <li>The residence permit application form</li> <li>Original passport or other travel documents and a photocopy</li> <li>Proof of accommodation in Romania</li> <li>Employment contract</li> <li>A statement regarding your salary</li> <li>A medical certificate</li> <li>Proof of payment of the residence permit fee.</li> </ul>	<ul style="list-style-type: none"> <li>5 Years</li> </ul>	<ul style="list-style-type: none"> <li>Foreigners assigned as heads of foreign company branches and foreign citizens named administrators of Romanian companies only need to apply for a residence permit.</li> <li>After entering Romania on an employment visa, employees can apply for a residence permit</li> </ul>
<b>Romanian Employment Visa</b>	<ul style="list-style-type: none"> <li>Work authorization</li> <li>Documents regarding nature of employment</li> <li>Certificate of police clearance</li> <li>Travel medical insurance</li> <li>Proof of accommodation</li> <li>Valid passport</li> </ul>	90 days (after 90 days, workers should apply for a residence permit)	To be eligible for a Romania work visa, Non-EU must fall under one of the following categories: <ul style="list-style-type: none"> <li>Individuals who conduct educational, scientific, or any other type of specialized work in an accredited Romanian institution</li> <li>A highly-skilled worker Individual working as part of a bilateral agreement</li> <li>The work individuals will do is artistic in nature and done on the basis of the order of the minister of culture</li> <li>Employees who have access to the Romania labor market due to a treaty between Romania and your country</li> <li>Individuals who will work as the head of a subsidiary office or the Romanian branch office of a company that's headquartered abroad</li> </ul>
<b>EU Blue Card</b>	<ul style="list-style-type: none"> <li>Valid Passport</li> <li>Valid Visa</li> <li>Bachelors or Master's degree</li> <li>Proof of health insurance</li> <li>Employment contract</li> </ul>	<ul style="list-style-type: none"> <li>2 Years</li> </ul>	<ul style="list-style-type: none"> <li>High skilled employees</li> <li>The gross annual salary resulting from the monthly or annual salary specified in the work contract or binding job offer must be equal to or higher than at least 1.5 times the average gross annual salary in the Member State concerned).</li> <li>For 2015, Romania set the minimum salary threshold at: 25 828 EUR.</li> </ul>

## Value Added Tax (VAT)

- Companies are directly responsible for determining and charging the correct Romanian VAT rates.
- These are set by the government, although the EU set the broad rules for use of the standard, higher rate and reduced rates.
- The EU does insist that the standard rate is at least 15%.

VAT Rates	
Standard Rate	19%
Reduced Rate	9%
Reduced Rate	5%
Zero	0%



# Withholding Tax

## Dividends

- The general withholding tax rate on dividends paid to a nonresident is 5%
- A 5% rate also applies to dividends paid by a Romanian legal entity to a legal entity resident in another EU member state or to a permanent establishment (PE) of a company from an EU member state situated in another EU member state if the dividends do not qualify for an exemption under the EU parent-subsidiary directive
- The rate is 0% if the directive applies

## Interest

- A 16% withholding tax is levied on interest paid to a nonresident company, unless the rate is reduced or eliminated under a tax treaty or the EU interest and royalties' directive

## Royalties

- A 16% withholding tax is levied on royalties paid to a nonresident company, unless the rate is reduced or eliminated under a tax treaty or the EU interest and royalties' directive

## Technical Service Fee

- All types of fees paid to a nonresident entity for services performed in Romania are subject to a 16% withholding tax, unless otherwise provided under a tax treaty
- Payments made by a Romanian resident to nonresidents for management and consultancy services are subject to a 16% withholding tax, regardless of where the services were performed, unless otherwise provided under a tax treaty

## Technical Service Fee

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## Other

- A 50% withholding tax is levied on payments made to an entity or person located in a jurisdiction that has not concluded an exchange of information agreement under the Romanian legislation and is made in relation to an artificial transaction

WHT	
Dividends	• 5%
Interest	• 16%
Royalties	• 16%
Technical Service Fee	• 16%





## Termination

- A Romanian employment contract is terminated when:
  - The contract ends (for contracts with definite period)
  - There is an agreement between the two parties
  - The employee chooses to terminate the contract
- When the employer chooses to terminate the contract (dismissal) in the following cases:
  - reasons related to the worker's actions or non-actions (disciplinary dismissal)
  - reasons unrelated to worker's performance
  - reasons related to the restructuring of the positions chart
  - reasons related to the mental or physical health of the employee (this state must be decided through medical expertise)
- The employment contract can be terminated by notice given by each party. The termination notice period depends on the position – management or execution.
- The notice period in case of termination upon employee's request is:
  - 45 working days for management position
  - 20 working days for execution position

## Statutory Benefits

- These are benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, notice period.
- Statutory benefits also include social security benefits

### Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Sick Leave

Maternity Leave

Paternity Leave

Notice Period

Social Security Benefits

## Payments and Invoicing

- Annual tax returns are due by 15 March of the year in order to estimate the income to be obtained during the current year and declare the income obtained during the previous year.
- The above mentioned deadline also represents the payment deadline for the income obtained during the previous year.
- In certain cases, such as for employment income derived from non-Romanian employers, tax returns are due on a monthly basis by the 25th day of each month for the previous month.
- Foreign nationals assigned to work in Romania and who do not meet the tax exemption conditions must register for tax purposes within 30 days after beginning their assignment.
- Subsequently, they must file monthly tax returns, and pay income tax and social security charges (if applicable) by the 25th day of the following month.
- If the individual is on a local payroll, the local employer must compute, withhold, declare and pay the income tax and social security charges (if applicable).





## **Ease of Doing Business**

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Romania ranked 55th in the World in 2019 in terms of ease of doing business.





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