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Aspects Regarding Contributions and Taxation in Pre-University Education Institutions in Romania and Other Countries in the European Union

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Abstract: This paper aims to present aspects regarding the contributions and the salary income tax in the pre-university education system, as well as present study cases related to the taxation issue in this area. In terms of objectives, we wanted to observe how law is enforced in this area and we conducted a comparison between the taxation of salary incomes in Romania and in the European Union. The usefulness of this paper consists in the presented study cases, as well as the light shed on the salary incomes in other countries in the European Union, while keeping in mind the diversity of labour legislation in Romania.

Key words: pre-university education; salary; gross income; contributions; salary income tax; tax, net wage, law

JEL: H24

1. Introduction

The purpose of this paper is to show how salaries are calculated in the pre-university education, in order to have a picture regarding the level of salaries in Romanian education compared to OECD countries, as well as the calculus of the salary income tax in certain countries in the European Union.

The flat income tax not only simplified tax management, but it also favoured capital accumulation and it led to increased labour efficiency. Even with the financial crisis, not even one of the countries that adopted the flat income tax returned to the progressive income tax. Exiting the flat income tax system would create a significant competitive disadvantage in the central and eastern European block, a mistake that Romania should avoid even more as efforts in the region are focused on:

- diminishing flat taxes;
- the individual management of the income surplus and its orientation towards investments, savings and consumption by the taxpayer and not by politicians/government;
- the economic competitiveness determined by increased attractiveness.

Remuneration in the pre-university education system is regulated by Law no. 128/1997 on the Statute of the teaching staff, with subsequent amendments and completions; Law no. 330/2010; Law 284/2010 – Law regarding the framework of unitary remuneration of personnel paid from public funds; Law no. 285/2010; Law no. 63/10.05.2011 on employment and wages in 2011 for teaching staff and non-teaching staff in education. The main objective of any salary system is to establish a structure and an equitable payment system for all employees in accordance with their work and performance level. Although this objective is clear and important, achieving it is not an easy task because during the administration of wages, many problems related to human relationships can occur. It’s not essential for the salary system to be technically accurate, but employees must be convinced this is true. In a sense, all payroll systems establish a connection between earnings and results, between salary and performance.

2. Main aspects regarding contributions

In Romania, all employers and employees, as well as other categories of taxpayers, are required to contribute to the social security system and health and unemployment funds.

Social and health insurances cover pensions, child benefits, temporary disability cases, risks of occupational accidents and occupational accidents and other services of social assistance. On one hand, unemployment insurance covers the risk of losing a job and ensures the unemployment benefit, and, on the other hand, it covers incentives for creating jobs.

Employers calculate and withhold wage contributions upon payment. The contributions to the state and social insurance budgets are paid until the 25th of the month following that for which the remuneration is due. Failure to pay these pay-as-you-earn contributions within 15 days from this date in considered an infraction and is sanctioned accordingly.

Government Emergency Ordinance no. 117/2010 introduced a new title in the Fiscal Code, Title IX index 2 "Compulsory social contributions".

However, given Law no. 286/2010 regarding the state budget in 2011 and Law no. 287/2010 of the state social insurance budget for the year 2011, here are the contributions rates that must be paid by employers and employees in 2011.

2.1. Employer and employees contributions and their application in accordance with Law no. 571/2003 in conjunction with Government Decisions no. 44/2004 regarding the **FISCAL PROCEDURE CODE** – Last update: according to Government Decision no. 150/23.02.2010

2.1.1. Considering the provisions of Law no. 287/2010 of the state social insurance budget for the year 2011, published in Official Gazette of Romania, Part I, no. 880/28.12.2010 and the provisions of Law no. 263/2010 regarding the unitary system of public pensions, published in Official Gazette of Romania, part I, no. 852/20.12.2010, the following stipulations are in force:

In the application of the provisions in article 33, paragraph (5) of Law no. 263/2010, the average gross earning used to substantiate the state social insurance budget for the year 2011 is 2.022 lei.

According to article 17, paragraph (2) of Law no. 287/2010, in conjunction with article 43, paragraph (3) of Law 411/2004 regarding the privately administered pension funds, republished with subsequent amendments and completions, the individual contribution rate to social insurance includes a 3% rate for the privately administered pension fund. The 3% rate is applicable from January 2011 for the monthly income.

EMPLOYER: - 20.8% - normal working conditions, 25.8% - difficult working conditions, 30.8% - special working conditions

In the pre-university education system, the contribution is 20.8% - normal working conditions and applicable according to the following calculus formula:

[G.S.F. (- s.l.f.) + (2.022 : working days/ month x 35% X s.l.days)] x 20.8%= employer contribution

G.S.F = total gross salary fund for that month

s.**l.f** = amount paid for sick leave in that month

2.022lei = average gross salary used to substantiate the state social insurance budget for the year 2011, according to article 15 of Law no. 287/2010

EMPLOYEE: 10.5% - normal working conditions

2.1.2. Contribution for social health insurance:

For the year 2011, the contribution rates for health insurances stipulated by Law no. 95/2006, with subsequent amendments and completions, are as follows:

EMPLOYER: 5.2% - stipulated by **article 258 of Law no. 95/2006**, with subsequent amendments and completions;

EMPLOYEE: 5.5% - stipulated by **article 257 of Law no. 95/2006**, with subsequent amendments and completions;

2.1.3. Contributions to the unemployment fund:

Based on provisions of article 29 of Law no. 76/2002 regarding the unemployment insurance system and incentives for employment, with subsequent amendments and completions and article 7 of Law no. 200/2006 on the set-up and use of the Guarantee Fund for the payment of salary receivables, with subsequent amendments and completions, the following contribution rates are established for the year 2011: **EMPLOYER - 0.5%**

EMPLOYEE - 0.5%

Occupational accidents and diseases – between 0.15% and 0.85% - the applied rates vary in accordance to the NACE code of the company.

For persons under article 296, letter e) and g), the base of the contribution to the insurance fund for occupational accidents and diseases is the sum of the monthly gross earnings achieved by persons

[F.S.B(- s.l) + (670 s.l. : working days a month x total days of s.l. a month)] x 0.297% = O.A.D.F. (occupational accidents and diseases fund)

under article 296, letter a) and b), namely the minimum gross base salary guaranteed in payment for the working days in the sick leave, with the exception of occupational accidents and diseases cases, is:

2.2 Salary income tax

Salary incomes are considered all the cash or in kind revenues obtained by a natural person that conducts an activity based on an individual employment contract or a special status provided by the law, regardless of the time period, the revenues' name or the form in which they are given, including allowances for temporary disability.

The tax rate is 16% and is applied to the taxable income corresponding to each source from each category for determining the salary income tax.

The taxable period is the fiscal year, which corresponds to the calendar year.

Calculus of income tax:

GROSS SALARY – (HEALTH INSURANCE CONTRIBUTION OF THE EMPLOYER (10,5%)+PENSION FUND CONTRIBUTION OF EMPLOYER (5,5%)+UNEMPLOYMENT FUND CONTRIBUTION OF EMPLOYER (0,5%)) = RESULT 1

RESULT 1 – LEGAL DEDUCTIONS (from 250 RON down, depending on the salary – union) = RESULT 2

RESULT 2 X 16% = INCOME TAX TO BE RETAINED FROM THE EMPLOYEE AND PAID

ART. 20 Non-taxable incomes:

The main categories of non-taxable incomes are:

1. Maternity allowance, maternal risk and child raising (up to two years) allowances paid from the social health insurance fund, state aid for child raising.
2. Wages received by persons with severe disabilities.

Starting with July 2005, the Ministry of Public Finance issued the following order (Order no. 1016/2005 of July 18, 2005 regarding the approval of monthly personal deductions for taxpayers that earn salary incomes at the location of the primary job, according to the provisions of Law no. 571/2007 on the Fiscal Code and Law no. 348/2004 with subsequent amendments and completions):

ART. 1: The calculator for the computation of the monthly personal deductions starting with July 2005 is approved according to the provisions of article 56, paragraph (2) and article 45 of Law no. 571/2003 regarding the Fiscal Code, with subsequent amendments and completions, in conjunction with the provisions of article 5, paragraph (5) of Law no. 348/2004 regarding the denomination of the national currency, with subsequent amendments and completions.

ART. 3: According to article 1, the calculus of monthly personal deductions depending on the monthly gross salary income and the number of dependents on the taxpayer uses the following algorithm:

Table 1. Monthly personal deduction established for a taxpayer depending in the number of dependents

					- lei (RON) -
Monthly gross salary income (MGI.)	**Monthly personal deduction established for a taxpayer depending in the number of dependents**				
	No dependents	One dependent	Two dependents	Three dependents	Four or more dependents
Up to 1.000	250	350	450	550	650
From 1.001 to 3.000	250 x [1-(MGI-1.000)/2.000]	350 x [1-(MGI-1.000)/2.000]	450 x [1-(MGI-1.000)/2.000]	550 x [1-(MGI-1.000)/2.000]	650 x [1-(MGI-1.000)/2.000]
Over 3.000	0	0	0	0	0

ART. 56 (1) Individuals under article 40, paragraph (1), letter a) and paragraph (2) are entitled to a deduction from the monthly net salary income as a form or personal deduction, granted for each month of the taxable period only for the salary incomes earned at the location of the primary job.

ART. 58 *Tax deadlines* - Payers of salaries and incomes assimilated to salaries are required to compute and withhold the tax related to the income of each month on the date of the payment of such incomes, as well as to remit it to the state budget on or before the 25th of the month that follows the month for which such incomes are paid.

ART. 59 – *Fiscal fiches*

(1) Information referring to the computation of salary incomes taxes is included in fiscal fiches.

(2) The payer of incomes is required to complete the forms provided in paragraph (1), during the entire period that the payer makes salary payments. The payer is required to maintain the fiscal fiches for the entire period of employment and to transmit to the competent fiscal organ and the employee a copy for each fiscal year until the last day of February of the current year for the expired fiscal year. The minister of public finance approves the model and content of these forms.

Taxpayers may decide upon the designation of an amount of up to 2% of the tax provided for supporting non-profit entities that are established and operate under the law, religious establishments, and private grants, as well as for private scholarships according to law [9].

STATEMENT 112

The "Statement regarding social insurance payment obligations, income tax and nominal record of insured persons", form 112, was approved by Government Decision no. 1397/2010. Government Emergency Order no. 117/2010 achieved the unification of the legal base regulating the taxation of incomes and social contributions owed by natural and legal persons that act as employers, as well as the entities who act as payers of incomes from dependent activities. The form is submitted by natural and legal persons who act as employers at the fiscal body where the taxpayers are registered as payer of taxes and contributions or at the offices accredited by the Ministry of Public Finance through electronic means on the e-Romania portal. The form is submitted monthly until the 25th of the following month for which tax liability is due and it is used to declare social contributions and taxes for the incomes earned since January 1st, 2011, with a deadline of February 25th, 2011. To submit this form, taxpayers are required to have a digital certificate. The statement shall be filled in paper form, signed and stamped according to law by July 1st, 2011, accompanied by the statement in electronic form. Article 3, paragraph (1): natural and legal persons who act as employers or entities assimilated to the employer, stipulated by article 296^3 of Law no. 571/2003 regarding the Fiscal Code, with subsequent amendments and completions.

3. Case study – particularities

Considering Law 63/10.05.2011, starting with the entry into force of this act and until December 31, 20011, teaching and non-teaching staffs in education are remunerated in accordance with the annexes to this law. Law no. 285/2010 regarding remuneration of personnel paid from public funds in 2011, as well as art. 22, 25-30 of Law 284/2010 regarding the framework of unitary remuneration of personnel paid from public funds are also applied for the teaching staffs and non-teaching staffs who work in education, remunerated according to this provisions of the law.

Article 3 – If by applying the computation methodology regulated in annex no. 5, the value of the gross basic salary is lower than 670 lei a month, this value will be taken into account for a full working schedule of 170 hours per month in 2011.

Case study regarding the basic salary for teaching staff/non-teaching staff working in pre-university education

All basic salaries include the bonus for neuropsychological risks and overstress, and the stability incentive is given to employees with over 10 years of experience in education. Basic salaries include the 15% increase applicable for 2011.

Article 13 – The calculus method of salaries for the teaching staff described by annexes 1 and 2 to the present law is shown in the table below:

A. Basic salary of the teaching position	
B. Management bonus	B = the percentage in annex no. 4 x A (for pre-university education) or the associated percentage x the minimum level of the basic salary, university professor, over 40 years (for higher education)
C. Bonus for special education	C = 15% x A
D. Gradation of merit	D = 25% x A
E. Allowance for tutors, elementary teachers, educators, pre-school teachers and elementary teachers	E = 10% x (A + B + C + D)
Seniority increment	= 5 – 25% x (A + B + C + D + E)

Teaching practice bonus	= 10 – 25% x A (proportionaly with the number of pupils/students and with the number of worked hours)
Simultaneous teaching bonus	= 7, 10, 15% x (A + B + C + D + E)
Remote area allowance	= 3 – 20% x A – the difference in transitional compensations, as the case may be
Bonus for a scientific title which was awarded until December 31, 2009	= 15% x (A + B + C + D + E) – included in transitional compensations
Bonus for working conditions	= % x (A + B + C + D + E) (proportionally with the worked hours)

If by applying the computation methodology regulated in annex no. 5, the value of the gross basic salary is lower than 670 lei a month, this value will be taken into account for a full working schedule of 170 hours per month in 2011.

STEP I – Waging scale for the teaching staff according to Law 63/10.05.2011

Professor, higher education, teaching degree- I ; 25-30 years seniority:

A. Basic salary 1.634 lei
B. Management bonus = 1634 x 35% = 572 lei
C. Bonus for special education = 1634 x 15% = 245 lei
D. Gradation of merit = 1634 x 25% = 406 lei
E. Allowance for tutors, elementary teachers, educators, pre-school teachers and elementary teachers = 10% (1634+572+245+409) = 286 lei
Seniority increment = 25% x (1634+572+245+409+286) = 787 lei
GROSS SALARY = 3.932 LEI

Article 12 – The payment of the annual leave for the teaching staff is done according to art. 23 of Government Ordinance no. 10/2008 regarding the level of basic salaries and other rights of the personnel paid according to Government Emergency Ordinance no. 24/2000 regarding the method to determine basic salaries for persons employed with the public sector and personnel paid according to annexes II and III of Law no. 154/1998 regarding basic wages for the employees working in the public sector and for public dignitaries, as well as certain measures regulating the salaries and other rights of personnel employed on contractual basis and paid according to special laws, approved by Law no. 177/2008 with subsequent amendments and completions.

“Article 21. During the leave, teachers are entitled to an allowance calculated in relation to the number of days of leave multiplied with the daily average of the basic salary, of the seniority increment and, if the case may be, of the management bonus, taken together, for each calendar month when the leave is taken. Article 22. The average daily income is calculated in relation to the number of working days in each month when the leave is taken”.

2932: 21 working days in January = 187,23– average daily income of that month

187,23 x 15 days of leave = 2.808 lei

This leave may be interrupted by a sick leave.

In order to calculate the sick leave for an employee, we need his contribution period. The sick leave is initial; common disease – 75%; 18 calendar days whereby 4 working days are paid by the employer, 10 working days are paid from the social health insurance fund.

Table 3. Calculus of gross salary

Month	Year	Workload quota in days	Working days	Base. Gross income
January	2011	21	21	3.927
December	2010	22	22	3.415
November	2010	22	22	3.415
October	2010	21	21	3.415
September	2010	22	22	3.415
August	2010	22	22	3.415
July	2010	22	22	3.415
June	2010	22	22	4.553
May	2010	20	20	4.553
April	2010	21	21	4.553
March	2010	23	23	4.553
February	2010	20	20	4.553

COMPUTING BASE (for the last 6 months) number of days = the daily average of the computing base for the social health insurance allowance

1002: 130 = 161,5538 Daily average x sickness code allowance x number of sick days = sick pay:
161,5538 x 75% x 14 = 1.696

Covered by the employer: **161,5538 x 0,75 x 4 = 485**
Covered by the national social health insurance fund: **161.5538 x 0,75 x 10 = 1211**
STEP II – Withholding contributions to the gross salary, according to law:
A teacher with a gross salary of 3.932 lei pays the following contributions:
For unemployment: 3.932 x 0,5% =20
For social health insurance: 3.932 x 10,5% = 413
For the pension fund: 3.932x 5,5% = 216
Taxes (3932- 20-413-216) x 16%= 525

Net income = 2.758

For the same teacher, the employer pays contribution in the amount of 1.087
For unemployment: 3.932 x 0,5% =20
For social health insurance: 3.932x 20,8% = 818
For the pension fund: 3.932 x 5,2% = 204
For occupational accidents and diseases: 3932 x 0,297 = 12
For sick leaves and allowances: 3932 x 0,85% = 33
Article 2
(1) The gross salary of the non-teaching staff is composed of the basic salary plus bonuses, allowances, as well as other salary rights stipulated by the present law.
(2) The salary is composed of: A. basic salary of the non-teaching position stipulated in annexes no. 3a or 3b, as the case may be, which includes the bonus for neuropsychological risks and overstress given to all the professional levels and stages; B. the management bonus, as regulated in annex no. 4 to the present law; C. the bonus for special education; D. the gradation of merit, granted by law; E. stability incentive.
(4) In addition to the wage rights granted according to para. (2) and (3), the revenues of pre-university education institutions and higher education institutions can finance differentiated pay that represents a maximum of 30% of the basic salaries stipulated in annexes no. 3a and 3b, without taking into account such amounts when computing the basis of other wage rights.
The calculus method of the salaries of the non-teaching staff stipulated in annexes no. 3a and 3b is presented below:

A. Basic salary of the non-teaching position	
B. Management bonus	B = the percentage in annex 4 x A
C. Bonus for special education	C = 15% x A
D. Gradation of merit	D = 25% x A
E. Stability incentive	E = 15% x (A + B + C + D)
Seniority increment	= 5 – 25% x (A + B + C + D + E)
Bonus for scientific titles awarded until December 31, 2009	= 15% x (A + B + C + D + E) (amount included in transitional compensations)
Bonus for working conditions	= % x (A + B + C + D + E) (proportionally with the worked hours)

If by applying the computation methodology regulated in annex no. 5, the value of the gross basic salary is lower than 670 lei a month, this value will be taken into account for a full working schedule of 170 hours per month in 2011.
STEP I – Waging scale for the non-teaching staff
Financial assets manager, level I ; chief accountant, 30 years seniority in education
A. Basic salary 1.466 lei
B. Management bonus = 1466 x 40% = 586 lei
C. Bonus for special education = 1466 x 15% = 220 lei
D. Gradation of merit = 1466 x 25% = 367 lei

E. Stability increment = 15% (1466+586+220+367) = 296 lei
Seniority bonus = 25% x (1466+586+220+367+396) = 759 lei
TOTAL GROSS SALARY = 3.794 LEI

According to Law 63/10.05.2011, as well as according to the calculus methodology of the wage rights granted to the teaching staff in pre-university education, below are presented a few basic salaries, as well as the gross salary for 2011.

POSITION BONUSES	**ATTENDANT** 25 YEARS SENIORITY	**ASSETS MANAGER** PROF. STAGE-I SECONDARY EDUCATION 30 YEARS SENIORITY	**PROFES. Higher education First level 2 years seniority**	**Elementary teacher HIGHER EDUCATION** 18-22 years seniority	**FOREMAN (secondary level studies) teaching degree - I** **41 years** seniority in education	PRE-PRIMARY SCHOOL TEACHER TEACHING DEGREE II 25-30 YEARS SENIORITY
BASIC SALARY	582	989	981	1.226	1.479	1.137
IND.COND.- 25%-35%	-	-	-	-	-	-
FIDELITY BONUS 15%	-	148	-	-	-	-
BONUS SPECIAL EDUCATION 15%	-	-	-	184	-	-
TUTOR 10%	-	-	98	172	185	142
GRADATION OF MERIT 25%	-	-	-	307	370	284
SENIORITY INCREMENT	146	284	-	472	509	391
GROSS INCOME	**728 lei**	**1.421lei**	**1.079 lei**	**2.361 lei**	**2.543 lei**	**1954 lei**

4. Contributions and taxation on salaries in the European Union

The study shows that most rate changes in 2010 come from Europe. Globally speaking, the highest income taxes are still being paid by EU citizens, where the average tax rate has increased by 0.3% since last year.

The initiatives of Eastern European governments to keep the flat tax to a low level, fuelling the downward historic trend, have stagnated. Estonia, which introduced the flat tax in 1994 and which intended to reduce it to 18% until 2012, has given up this plan. Another example is Latvia, which increased the flat tax from 23% in 2009 to 26% in 2010.

The good news is that despite the difficulties faced by governments in trying to protect the budgetary incomes during the recession, no other country in Central and Eastern Europe increased the flat tax in 2010 and Hungary even reduced this rate (from 36% to 32%). The flat tax was a huge success in stimulating investments in Central and Eastern European countries and in scaling down the shadow economy, therefore leading to higher revenues. It's encouraging that CEE countries have resisted the urge to increase the income tax and have kept the systems based on the flat tax because a low level of taxation is one of the factors that encourage economic recovery.

At the level of the member states of the Organisation for Economic Cooperation and Development (OECD), the annual average salary of a teacher with over 15 years of experience in pre-university education is 41.993 dollars, a figure calculated at the parity of the purchasing power. The remuneration of teachers varies widely between different countries in the region.

The salaries of professors in Europe (monthly salary paid in euro) are largely determined by three main factors: the institutional status of the school, the type of the employment contract and the professional path of the teacher.

The teachers in Luxemburg are ranked first with an annual income of almost $90.000, followed by Switzerland with $62.183 and the teachers in Germany with approximately $58.000. At the end of the top are teachers in Estonia, Chile and Hungary with annual incomes of $9419, $12.976 and $14.515 respectively.

In Romania, in January 2011, the average net salary in education was 1.750 lei compared with 1.905 lei in the same month of 2010. This average is dragged down by the less qualified personnel, but also by the 21% salary cut. As a result, it would be fair to estimate that a teacher with over 15 years of experience has an average gross salary of approximately 2.200 lei per month or 26.400 lei per year (12 salaries, including bonuses). With this amount, Romania is ranked towards the end of the top, as seen in the figure below.

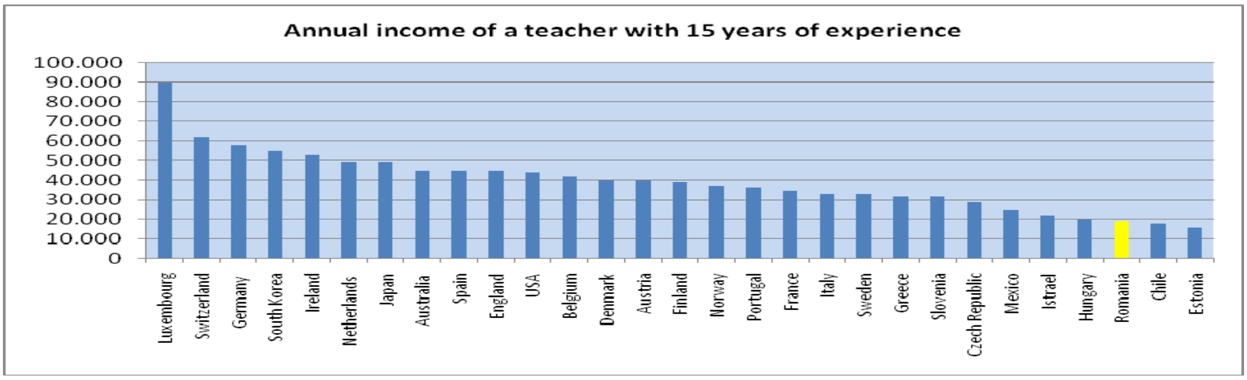

Figure 1. Annual income of a teacher with 15 years of experience
Source: https://www.fundatiadinupatriciu.ro/uploaded/Salarii1.jpg

All the countries in the region have managed to maintain the same number of employees in education and even increase it during the economic recession. According to an analysis conducted by Realitatea.net based on data gathered by statistical instituted in Eastern Europe, the salaries of professors in the neighbouring countries have increased during the last year by 5% to 18%. At the beginning of their careers, Romanian teachers have a monthly salary of only 190 euro, while their colleagues in Western Europe receive wages up to 1.600 euro in Italy and France, or even 2.500 euro in Germany.

COUNTRY	***Monthly salaries in elementary schools (euro)***		***Monthly salaries in secondary schools(euro)***		**CONTRIBUTIONS AND TAXATIONS REGARDING WAGES IN THE EUROPEAN UNION**
	Min.	Max.	Min.	Max.	
DENMARK	3150	3650	3150	3650	Income tax, contributions to social insurance – 27,9%; the employers in Denmark are not subjected to taxes. Income tax for natural persons (38%-59%)
GERMANY	2500	3750	2840	4200	The individual income tax rates for natural persons in 2010, % VAT - 0 - up to 7834 – 14% - 7,835-52,552 – 42% - 52,553-250,400 – 45% - Contributions of employees to social insurance – 17,2%
NETHERLANDS	2200	3400	2300	4500	The employee pays 55% tax and keeps 45% of his salary. From the 45%, the employee looses another 19% for each purchasing when he pays VAT. Companies can deduct VAT. The income tax for natural persons is 34,2% to 52%.
BELGIUM	2100	3700	2500	4550	Personal income tax: 21,6% to over 50%, 45% starting from 35.000 euro
SPAIN	2050	3250	2300	3250	Contributions paid by the employee: common allotment 4,70%; individual tax 6,40%; unemployment 1,55%; professional training 0,10%; Contributions paid by the employer: common allotment 23,60%; IT share 4%; unemployment 8,35%; IMS share 3%; other contributions 8,35%
AUSTRIA	1900	4750	2000	4750	• Income tax: 50% plus 20% VAT
ITALY	1700	3100	1900	3500	• taxable income below 15.000 euro → tax rate:23%; • taxable income between 15.001 and 28.000 euro → tax rate:3.450 euro + 27% for the amount that exceeds 15.000 euro; • taxable income between 28.001 and55.000 euro →

					tax rate: 6.960 euro + 38% for the amount that exceeds 28.000 euro; • taxable income between 55.001 and75.000 euro → tax rate:17.220 euro + 41% for the amount that exceeds 55.000 euro; • taxable income over 75.001 euro → tax rate: 25.420 euro + 43% for the amount that exceeds 75.000 euro. Taxable income = Total income – deductable amount
GREECE	1500	2200	1500	2400	Contributions paid by the employee: social and health insurance 13%; TANPI insurance 3%; Income tax – progressive rates, the first 12.000 de euro are tax free Contributions paid by the employer: social and health insurance 25,06%; TANPI insurance 3%; Personal income tax – 2,2%
FRANCE	1650	2950	1600	3600	The tax is not a pay-as-you-earn tax, only social contributions are deducted from the salary (www.impots.gouv.fr). In terms of other contributions, their amount depends on the salary. The contributions to the social health insurance, unemployment and social insurance funds total 22% of the salary. Employers pay 29.7% of total employment costs in social security contributions (including the payroll tax, if applicable)
CZECH REPUBLIC	1100	1700	1100	1750	Employers pay 25,4% of total employment costs in social security contributions (including the payroll tax, if applicable)
HUNGARY	500	700	500	1000	Currently, the tax rate is 17% for incomes up to 5 million forints (18.200 de euro) and 32% for incomes that exceed this limit.
SLOVAKIA	400	600	400	600	Contributions of employees to social insurance - 19%
POLAND	400	650	400	770	Paid personal income tax - (19%-40%)
LATVIA	350	450	350	450	Paid personal income tax- (26%)- in 2010
BULGARIA	230	270	230	350	Contributions paid by the employee: Bereavement and pregnancy benefits 1,4%; social insurance 8%; social health insurance 3,20%; unemployment 0,40%; additional pension fund, for persons born after 1960 - 2,2% Contributions paid by the employer: social insurance 10%; social health insurance 4,80%; unemployment 0,6%; risk fund 0,40%; bereavement and pregnancy benefits 2,10%; guarantee Fund for the payment of salary receivables 0,10%; additional pension fund, for persons born after 1960 - 2,80%. The progressive rates are applied for labour incomes (from wages) according to a scale with 5 levels of taxation, the maximum rat being 24% for incomes that exceed 3.600 euro.

5. Conclusions

The presented information showed the complexity of determining social contributions for both the employee and the employer in accordance with Romanian laws. The current social contribution rates in Romania, for employers and employees, are among the highest in the world and the highest in Central and Eastern Europe. In Romania, the increased social contributions can act as a discouraging factor for employment, one solution for mitigating this effect being to reduce the social contribution rates by reintroducing a ceiling on the tax base for all the types of social insurance contributions (including pensions, medical insurance and unemployment).

In terms of the case study regarding the calculus of the salary, we presented the stages according to the standardized methodology from basic salary to gross salary to net salary, complying with Law no. 63/10.05.2011 on employment and wages.

The paper also detailed the level of wages and taxation in a few countries in the European Union, resulting a diversity of calculus methods, with particularities for each country.

On the other hand, we can't compare salaries in Romania with those in Germany, for example, without taking into account the economy's ability to support those salaries. It's not necessary to homogenize the taxation systems of EU countries. If they transpose and accurately implement the regulations adopted at Community level, the member states are free to choose the taxation system that they consider the most appropriate for the current economic situation, but, at the same time, it's necessary to have an international reaction in the fiscal area, which will promote a coherent policy between EU governments – finances, fiscal practices. It's encouraging that CEE countries have resisted the urge to increase the income tax and have maintained the systems based on the flat tax because a low level of taxation is one of the factors that encourage economic recovery.

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