

## Measures for motivating employees

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Even though the Romanian regulations on fiscal benefits for employees are not very generous, there are some ways in which employers can grant benefits on top of the salary. Here are some practical options.

### Health insurance and services

Employees are often offered voluntary health insurances or subscriptions for medical services. In such cases, the solution depends on who will bear the costs:

- **If the employer supports the cost**, according to the Fiscal Code<sup>1</sup>, these contributions will not be taxable at the employee level, in the sense of income tax, as long as the annual total value of the contributions doesn't exceed €400 (the equivalent in RON). If the granted advantage is higher than this threshold, only the amounts exceeding the threshold value will be subject to income tax. Up to this value, employers can grant their employees benefits with no tax obligation.

Within the same annual amount of € 400/ person, such advantages granted by the company will not be subject of social security contributions either.

- **If the employee supports the insurance bonuses or subscriptions**, the payments will be deductible from his or her income tax, up to the maximum value of €400 per year. The deduction up to the same limit is also allowable if the employee pays the cost of the services (health insurance or subscriptions for medical services) for other dependent persons.

If the employer pays for the insurance bonuses or subscriptions for an employee's dependents, such payments will be regarded as benefit-in-kind – so in the month when they are paid, they will be added to the taxable salary income of the employee. The same applies if the employee supports such costs for non-dependent family members.

**From the corporate tax point of view**, the costs supported by the employer for voluntary health insurance, subscriptions and medical services in favour of the employee are regarded as deductible expenses when computing the taxable profit, since benefit-in-kinds are considered salary-related income. This also applies when the benefit-in-kind exceeds the tax-free limit.

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<sup>1</sup>Art 76, para. 4, letter t

## Vouchers for employees

A law recently published in the Official Journal<sup>2</sup>, which comes into force on 1<sup>st</sup> January 2019, regulates all vouchers that an employer can offer to the employees. To the vouchers related to food (meal tickets), presents, childcare (day-care centers) and holidays vouchers for cultural activities are added.

These vouchers for cultural activities may be granted beginning with 2019, up to a maximum value of 150 RON per month (if granted occasionally, up to 300 RON). They can be used exclusively for acquiring cultural goods or services, for example, for subscriptions or tickets to events, concerts, museums, fairs, exhibitions, theme parks, movie projections and festivals, as well as for books, school manuals, music albums and films.

The value of a single voucher for cultural activities can be 10 RON or other multiple of 10 RON, with a maximum of 50 RON. The vouchers will be valid only if they include (among other information) the name and the ID number (CNP) of the employee.

All types of vouchers can be given either on paper or in electronic form.

The costs of the vouchers granted by the employer (within the legal limits) are basically deductible for the corporate tax calculation.

According to the new law, vouchers are not to be taken into account when determining the taxable salary income resulting from the employment relationship. This contradicts the present tax regulations, according to which vouchers are subject of income tax, but are not subject of social insurance contributions. We are expecting further explanations in this regard.

## Conclusion

Benefits for voluntary health insurance, subscriptions for health services, and vouchers represent benefits for both the employer and the employee. Granting such benefits in kind is a modern and advantageous alternative to money bonuses: the company can cut some costs, motivate its personnel and, compared to the local competition, can enhance its attractiveness as employer.

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<sup>2</sup>Law Nr. 165/2018