

Taxes paid by FIC member companies and their employees in Romania

Foreword:

Over the past two years, economies around the world have faced various challenges posed by the COVID-19 pandemic. The post-pandemic recovery has been hampered by rising energy prices and the context of the conflict in Ukraine. Recent communications by both international and national institutions have revised downwards economic growth predictions for the current year, estimating a small economic advance somewhere around 2-2.8% for 2022.

During this period, it is important to continue with existing investment projects, both in the public and private sectors, and for the authorities to support the economy by helping to provide a climate of stability, transparency and predictability. Greater efforts should be made to absorb the billions of euros available via the PNRR¹, so that investments in key pillars such as: energy, institutional capacity, human capital and digitalization may be accelerated.

The PNRR also involves a detailed analysis of Romanian tax legislation, especially in relation to profit tax, the social contributions due for incomes obtained by individuals, as well as other key areas.

FIC members welcome the opportunity for a general revision of the fiscal framework and would like to highlight the importance of tax legislation remaining attractive, so that Romania will stay competitive with neighboring countries and continue to attract more foreign investment. It is very important that the tax system should remain predictable and competitive, and that any changes to the tax system should occur in a transparent manner and only through dialogue with the business environment.

About the study:

The Foreign Investors Council (FIC) is one of the most important business organizations in Romania, which brings together about 120 of the largest foreign investors. FIC members employ about 180,000 people and have a cumulative turnover of one-fifth of Romania's GDP². We should point out that FIC documents on which this study is based do not reflect the position of all companies with foreign capital in Romania but only FIC member companies.

This document is the result of a joint effort made by a representative sample of FIC member companies. The analysis was carried out by collecting data from 44 groups of companies (approximately 78 entities) registered with the Romanian Trade Register and provides transparent details on the level of taxes and duties they transfer to the state budget. A similar analysis was published by the FIC in 2019, providing an overview of the contribution of foreign companies to GDP and wealth creation in Romania.

The purpose of the study is to show the direct contribution that a sample of companies with foreign capital makes to the economic growth registered in Romania through taxes, investments, salaries paid and indirectly through the supply chain.

For ease of reference, in our analysis, we will generically name these companies as „FIC companies”, and their employees will be „FIC employees”. FIC data refer to 2019, in view of the unfavourable evolution of budget revenues in the period March - December 2020, generated by the support measures during the COVID-19 crisis. The figures for 2019 were also used as a benchmark for the process of economic recovery.

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Summary

The analyzed companies are large companies with foreign capital / corporations (23 of them are among the top 100 largest companies in Romania in terms of turnover, and **6** of them are part of the top 15 banks in terms of value of assets).

In 2019, a FIC employee earned, on average, a net wage of RON 5,810 per month, over **70%** higher than the average net wage in Romania of RON 3,340.

The companies have been registered and paid taxes in Romania for more than 25 years.

Their investments began, on average, in the late 1990s, which highlights the long-term commitment of these companies to Romania.

In 2019, the investments of FIC companies were over 17 billion lei, which represents **57%** of the value of the capital expenditure carried out under the consolidated state budget.

The analyzed companies pay both the salaries and the taxes and contributions of their employees on time, and all their employees receive their salaries and bonuses through bank accounts. Thus, **FIC companies contribute to the reduction of the "grey economy"** in Romania.

In 2019, the amount of contributions and taxes paid monthly from the total salary of a FIC employee (an employee of one of the 44 companies analysed) **exceeded the average net national salary.**

The 44 FIC member entities transferred to the Romanian budget VAT and excise duties with a value of approximately RON 30 billion, representing **30%** of the total VAT and excise duties collected by the state (RON 97 billion).

The analysed companies made payments of over RON **11.3** billion to the Romanian budget, more than half representing social contributions and profit tax in 2019.

The analyzed companies

1. Atos
2. Banca Comerciala Romana
3. Bergenbier
4. BRD - Groupe Societe Generale
5. Bristol-Myers Squibb
6. British American Tobacco
7. Can Pack
8. Coca-Cola
9. Constanta South Container
10. Deloitte
11. E.ON
12. Engie
13. Ericsson Telecommunication
14. Ernst & Young
15. Farmvet
16. Heineken
17. ICME ECAB SA
18. ING Bank
19. JT International
20. KPMG
21. Liberty Galati
22. Mazars
23. Mega Image
24. MOL
25. Nepi Romanian entities
26. NN Asigurari
27. OMV Group
28. Orange
29. OTP Bank
30. Pepsi Co
31. Provident Financial
32. Philip Morris International
33. PwC
34. Raiffeisen
35. Saint-Gobain
36. Selgros Cash&Carry
37. Sensiblu
38. Sodexo Pass
39. Tenaris Silcotub
40. TotalEnergies Marketing
41. Unicredit Bank
42. Ursus Breweries
43. Vienna Energy
44. Vodafone



The analysed companies operate in sectors such as: energy, industry, financial services, telecommunications, IT, tobacco and alcohol production, trade, consulting and others.



They have significantly contributed to the modernisation of the Romanian economy, to its integration into the European economy and to international export and production chains.



They have brought technology and know-how to the internal market, thus contributing to increased productivity as well as corporate governance through which they have promoted the importance of fairness, transparency and accountability in companies.



They have contributed directly to the economic growth registered by Romania through the investments they have made, through the salaries paid to their employees and indirectly through the chain of suppliers.

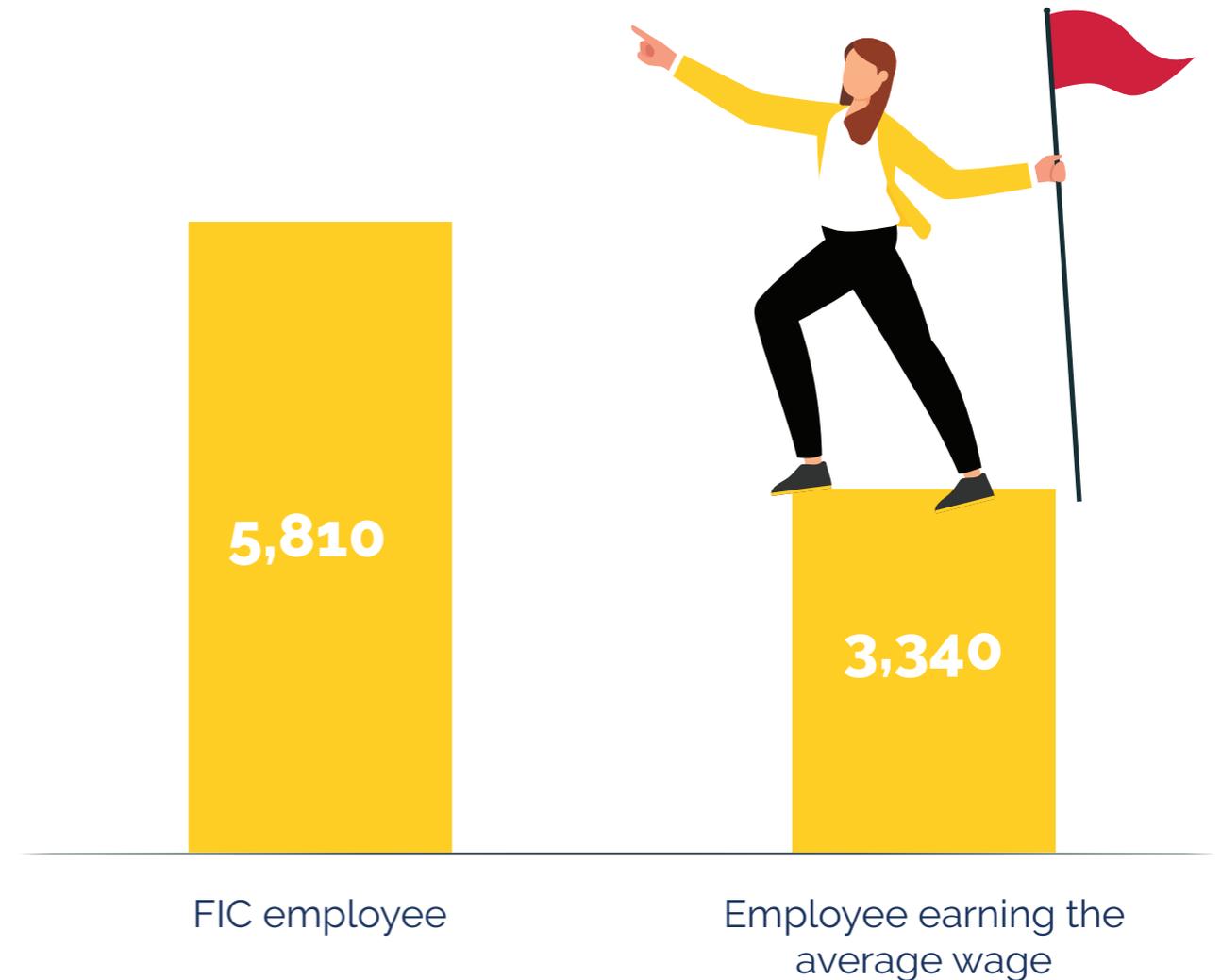
Taxes paid by FIC employees



In 2019, a FIC employee – working for one of the 44 companies analyzed – earned, on average, a net wage of RON 5,810 per month, over 70% higher than the average net wage in Romania of RON 3,340.

In 2019, in order to pay an average net monthly wage in Romania of RON 3,340, the employer had a total cost of RON 5,838; In the case of a FIC company, the total cost of an average net wage of RON 5,810 was RON 10,155. These amounts included both taxes and contributions paid by the employee and those paid by the employer in addition to the employee's gross salary³.

Average monthly net wage in 2019 (RON)



Source: Calculations based on FIC and National Institute for Statistics (INS) data

³ Starting with 2018, the Government decided by Emergency Ordinance 79/2017 that all contributions to be borne by the employee.

A FIC employee supports 1.9 pensioners who receive the average pension in Romania.

The monthly pension contribution of each FIC employee is almost double the amount of RON 1,292, the equivalent of the average pension in Romania in 2019.

The FIC companies paid over 259 million RON in contributions each month for pensions, for their 105,000 employees. The amount can be translated into the payment of average pensions for more than 200,000 pensioners in Romania.

For example, if all pensioners in Prahova or Cluj County (according to INS both counties have below 200,000 retirees: 196,369 and 171,922 respectively) were to receive the average pension in Romania, we could say that all pensions in the county are paid from pension contributions from the employees of the 44 FIC companies.



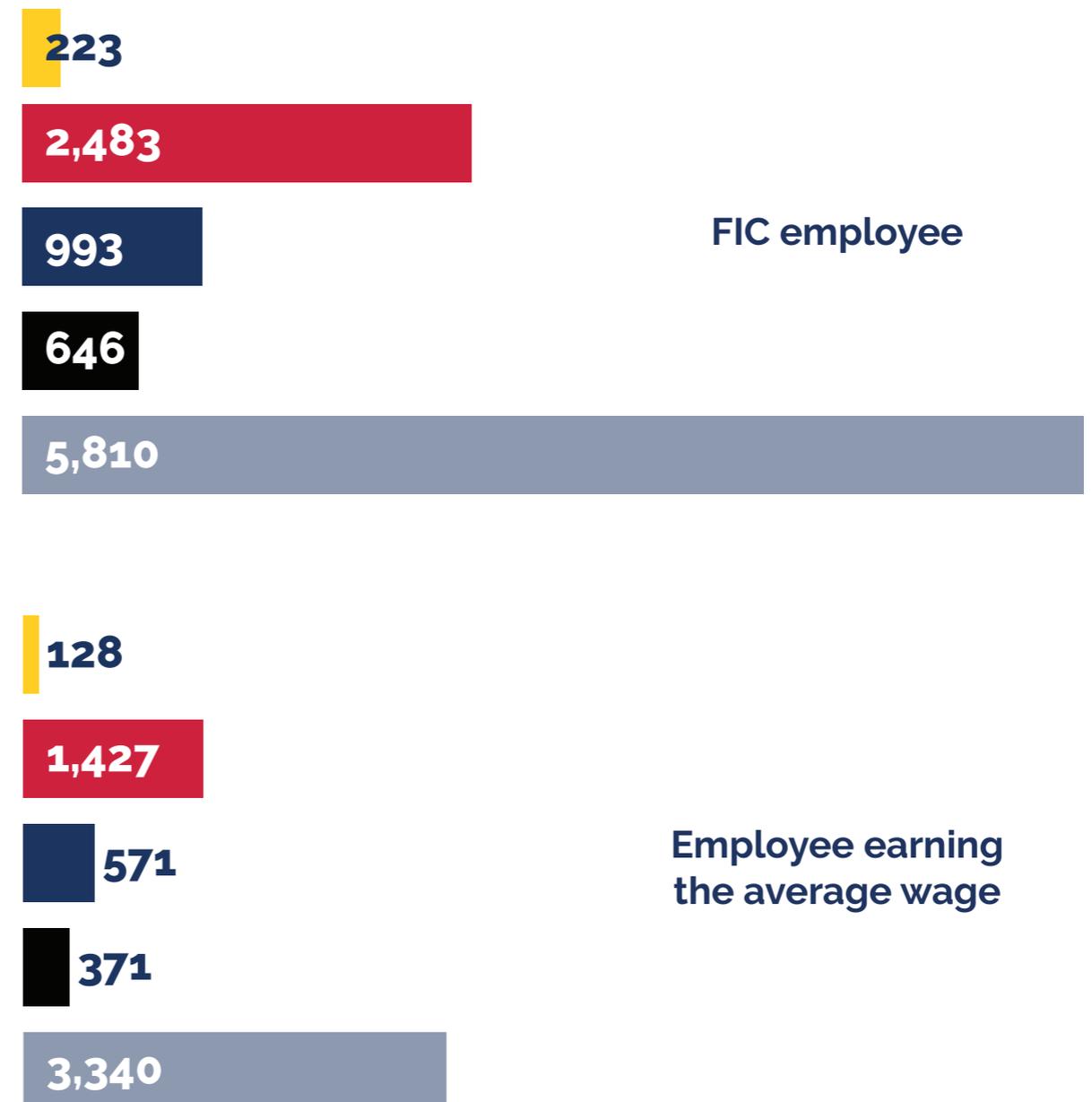
The total contributions paid for pensions, social health insurance, employment insurance, income tax and average monthly net salary, 2019 (RON).

- The total contribution for work insurance (CAM)
- The total contributions for pensions (CAS)
- The total contributions for health insurance (CASS)
- Personal income tax
- The net wage

In order to pay a net wage of 5,810 RON to a FIC employee, the company transfers approximately 4,345 RON to the state.

For a FIC employee earning a net salary of RON 5,810 per month in 2019, the employer transferred 4,345 RON to the state, consisting of all necessary taxes and contributions. This amount is more than the average net national salary in January 2022⁴.

The state collects the 4,345 RON from each FIC employee to pay for public goods and services, which it makes available to all citizens. On average, each FIC employee contributes RON 51,600 each year to the state budget, without taking into account the excise duties and VAT he or she pays when shopping, or local taxes.

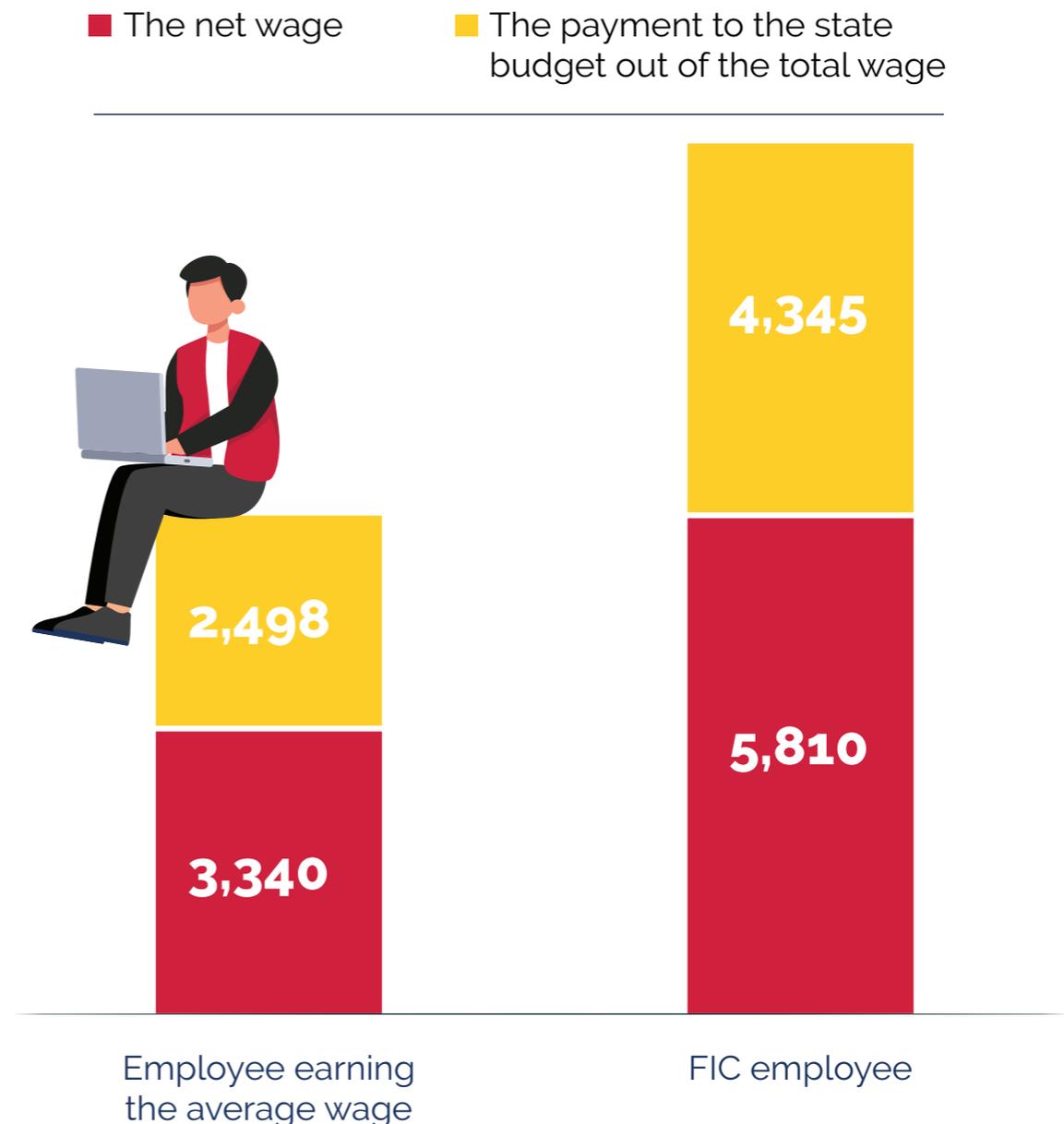


⁴ According to the INS, the average net monthly earnings per total economy in January 2022 was 3,698 lei

The amount of contributions and taxes paid monthly from the total salary of a FIC employee (an employee of one of the 44 analysed companies) exceeds the average net salary in Romania.

It is clear from the data analysed so far that in FIC companies the average salary is far above the national average. Furthermore:

- The FIC companies pay both salaries and employee contributions on time.
- All employees receive their salaries and bonuses in bank accounts. Thus, FIC companies contribute to the reduction of the "underground economy" in Romania.
- Corporate employees are "bankable" customers, both in terms of the level of their net earnings and in terms of the security provided by the financial situation of the company for which they work.
- The objective of public policies must be to attract as much investment as possible in value-added industries, where wages are commensurate.

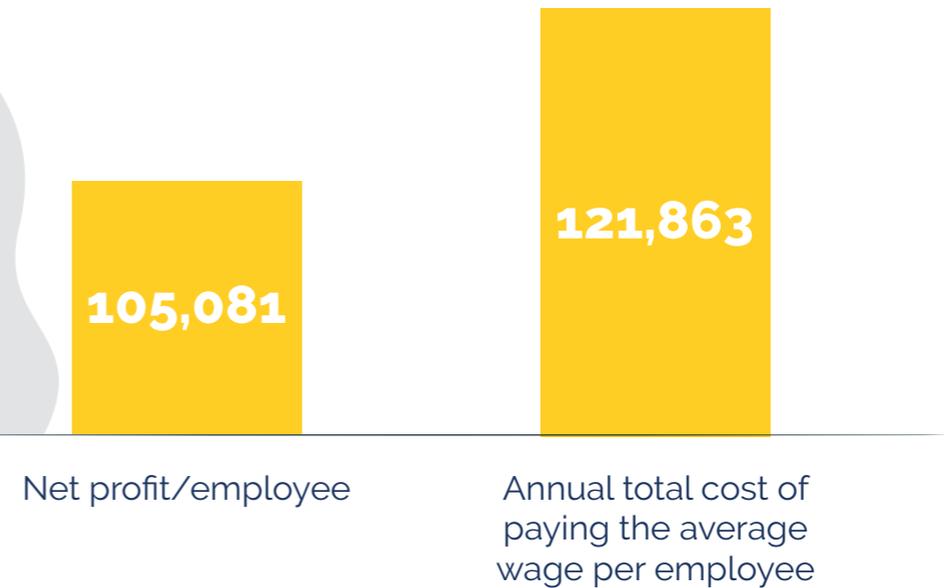


Source: Calculations based on FIC and National Institute for Statistics (INS) data

The commercial profitability⁵ of FIC companies was higher than the average commercial profitability achieved by the total number of companies in Romania in 2019.



The net profit per employee made by FIC companies and the total cost of the payment of the average annual salary of an employee, 2019.

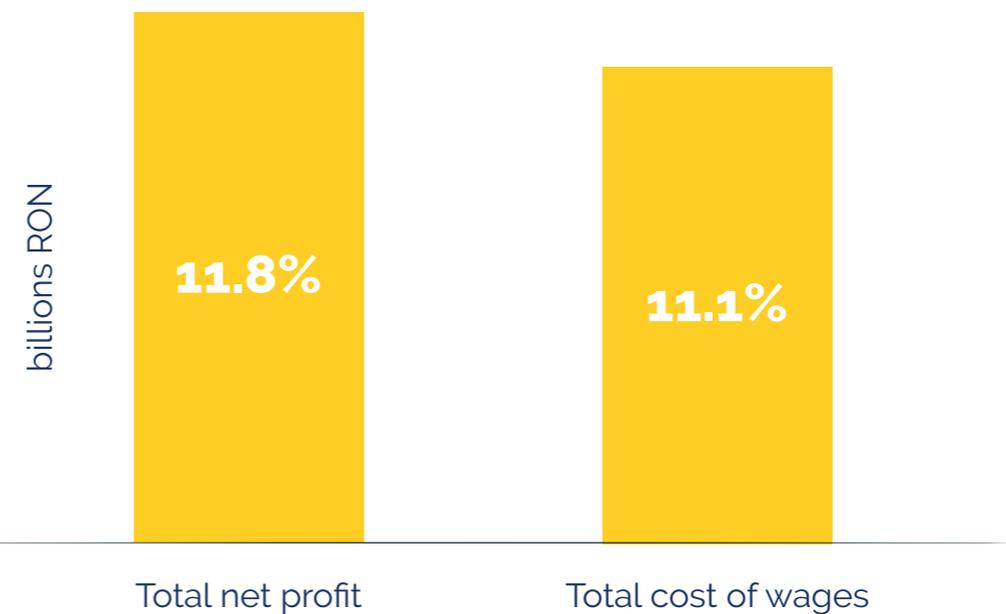


Source: Calculations based on FIC data

The net profit made by each FIC employee in 2019 was RON 105,000, but at the same time the annual cost of the total salary of a FIC company employee, based on an average net monthly salary of RON 5,810, was RON 122,000.

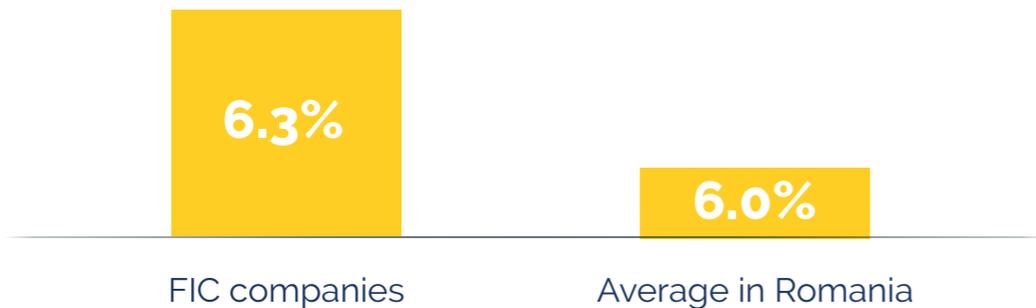
If we look at the global figures of the 44 FIC companies analyzed, we can see that there is no imbalance between profits and salaries. In 2019, these companies made profits of RON 11.8 billion and paid employees RON 11.1 billion.

Total net profit made by FIC corporations and total cost of payment of salaries, 2019



Source: Calculations based on FIC data

Net result/turnover



Source: Calculations based on FIC and National Institute for Statistics (INS) data

⁵ Commercial profitability was calculated as the ratio between net results and turnover of the FIC's non-financial companies.

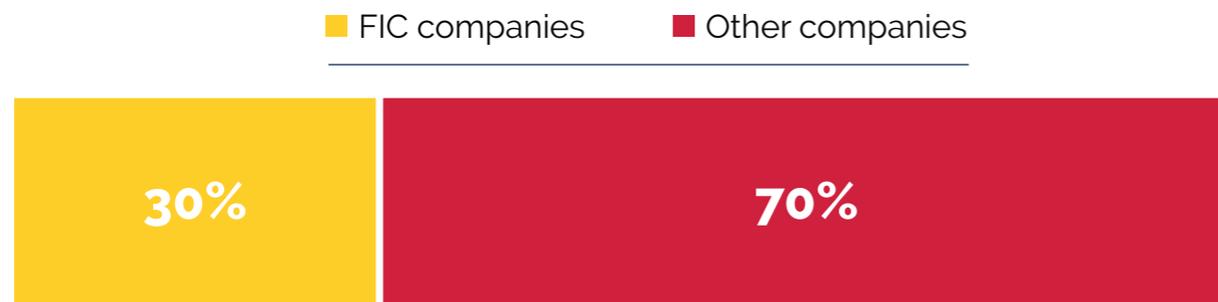
Taxes paid by FIC companies



The 44 FIC member corporations transferred to the Romanian budget VAT and excise duties with a value of approximately RON 30 billion, representing 30% of the total VAT and excise duties collected by the state (RON 97 billion).

The state relies heavily on the efficient and transparent systems of companies that collect excise duties and VAT, and the FIC companies do so without fraud and without late payments. The state can be sure at any time that these companies will collect excise duties and VAT and transfer them immediately. Public spending in Romania depends to a large extent on the efficient functioning of this mechanism.

VAT and excise duties transferred to the state budget, 2019 (%)



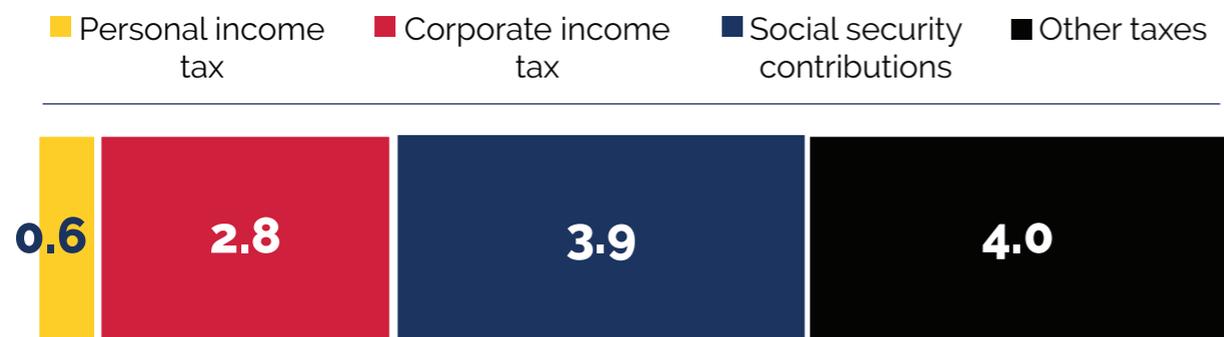
Source: Calculations based on FIC and Ministry of Finance (MFP) data



In 2019, FIC companies made payments of over RON 11 billion to the Romanian budget, more than half representing social contributions and profit tax.



Even if we do not take into account the VAT and excise duties that the FIC companies collect for the state, we can see that in 2019 they contributed RON 11.3 billion to the budget. **This amount could finance the following investment projects:**



Source: Calculations based on FIC data

Regional Emergency Hospitals in Craiova, Cluj and Iasi

7.76



Connection of the metro network with Henri Coandă - Otopeni International Airport (1 Mai - Otopeni)

6.43



București - Brașov highway, km 0+000 - 173+300

8.26



billions RON