



Foreign
Investors
Council

Fees and taxes

paid by FIC member companies and their employees in Romania

2024

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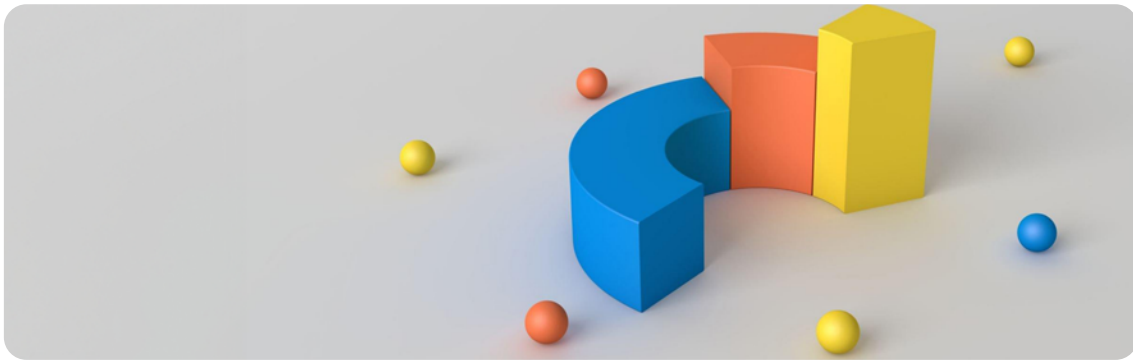
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Foreword

FIC members believe that stimulating foreign and domestic investments, especially by setting a vision for Romania to attract investments with high added value, is a country objective that can lead to economic growth and, ultimately, to the well-being of citizens. **The predictability and competitiveness of the tax system are key elements in attracting foreign direct investment, and any change in the tax regime must happen transparently and only following genuine dialogue with the business environment.**

About the study

The Council of Foreign Investors (FIC) represents one of the most important organizations of the business environment in Romania which brings together 110 of the largest foreign investors. They employ more than 191,000 people and have a cumulative turnover that represents a quarter of Romania's GDP. It should be mentioned from the beginning that FIC documents do not reflect the position of all companies with foreign capital in Romania, but only of its members.

This document is a joint effort of a representative sample of FIC member companies. The analysis was carried out by collecting data from 61 companies registered at the Romanian Trade Registry that voluntarily participated in this study and transparently provides details on the level of taxes and fees they transfer to the state budget. Out of the 61 companies responding to the questionnaire, only for 56 companies we will interpret in more detail the salary data (average net monthly salary in 2023 for employees of FIC companies, contributions paid for pensions, social health insurance, income tax), because of incomplete data. However, we extended the sample with the data for total annual turnover, employees, net profitability and net profit/employee was extracted from the annual reports from the Ministry of Finance. Similar analyses have been published by FIC starting with 2019.

The purpose of the study is to show the direct contribution that our members have to the economic growth recorded in Romania through the taxes paid, investments, jobs created, wages paid directly and indirectly through the supply chain.

In the context of the attributes presented above, in our analysis we will generically refer to the companies responding to the questionnaire as "FIC member companies" and their employees as "FIC company employees". The data analyzed relates to the fiscal year 2023.

Summary

- The analyzed companies are large foreign capital companies. 29 are part of the top 100 largest companies in Romania by turnover, and 5 of them are part of the top 10 banks in terms of asset value.
- The analyzed companies operate in sectors such as automotive, construction, consulting, energy, financial services, FMCG, IT&C, pharma, tobacco and alcoholic beverages production, trade, and others.
- They contributed significantly to the modernization of the national economy and its integration into both the European economy and international export and production chains.
- FIC member companies brought technology and know-how to the domestic market, thus contributing to increased productivity, as well as corporate governance through which they promoted the importance of fairness, transparency, and accountability in companies.
- They directly contributed to the economic growth recorded by Romania through the investments made available and through the salaries paid directly to employees and indirectly through the supply chain.
- For more than 25 years, these companies have been registered and paying taxes in Romania. Also, the investments made by them had on average, as a starting point at the end of the 1990s, a fact that reveals their commitment to invest in Romania for the long term. In 2023, the investments of FIC companies were 17 billion lei, representing 43% of public capital expenditures according to the execution of the consolidated budget for 2023.
- In 2023, the sum of contributions and taxes paid monthly (6,472 lei) from the average salary for an FIC employee covered by the sample exceeded the average net salary for the overall economy (4,584 lei) and was almost two times bigger compared with the level of taxes and contribution paid by an average employee in the Romanian economy.
- The analyzed companies pay both salaries and employee contributions on time, and all employees receive their salaries and bonuses transferred directly into their bank accounts, fully transparent. Thus, FIC companies contribute to the reduction of the "underground economy" in Romania.
- 61 FIC member entities transferred to the Romanian budget VAT and excise duties of approximately RON 43 billion, meaning 31% of the total VAT and excise duties collected by the state (approximately 142 billion lei).
- The 61 FIC members who answered the questionnaire contributed in 2023 to the state budget with approximately 62 billion lei, the equivalent of 14% of current revenues to the general consolidated budget (GCB). Additionally, close to 1 billion lei were dividends paid to the state.
- The contributions of all 110 FIC member companies are significantly higher. By extrapolation, controlling a set of variables, including turnover, number of employees, and profit tax, as well as attributes related to the object of activity, the contribution of all FIC member companies to the consolidated state budget was estimated at 82 billion lei, which represents more than 18% of all current revenues collected by the state in 2023.

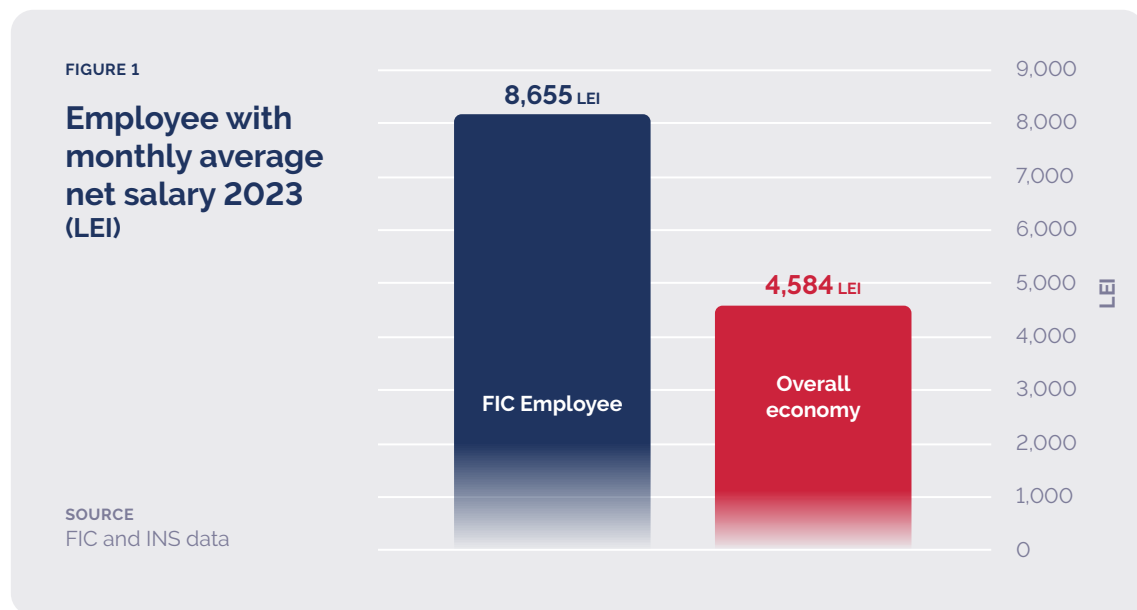
The companies analyzed in 2024

1 Alliance Healthcare	32 ICME ECAB
2 Alpha Bank	33 ING Bank
3 ALRO	34 Johnson and Johnson
4 Auchan	35 JTI
5 British American Tobacco	36 KPMG
6 Beko	37 Liberty Galati
7 BRD - Groupe Société Générale	38 Maspex
8 Bristol-Myers Squibb Marketing	39 Mazars
9 Bristol-Myers Squibb	40 Mediplus
10 CanPack	41 Mega Image
11 Carrefour	42 MET Energy
12 Celestica	43 MOL
13 Clean Tech International	44 OMV Petrom
14 Coca-Cola HBC	45 Orange
15 DP World	46 Pirelli
16 Deloitte	47 Pluxee
17 Dr. Max	48 PPC
18 E.ON	49 PwC
19 ENGIE	50 Rockwool
20 Ericsson Telecommunications	51 ROMCIM
21 Ernst & Young	52 Saint Gobain
22 Erste Bank Group – BCR	53 Cameron
23 Eurotex SH	54 SOFMEDICA
24 Eviden	55 Star Assembly
25 Ford Otosan	56 Star Transmission
26 Grawe	57 TotalEnergies
27 KMG International - Rompetrol	58 UniCredit Bank
28 Groupama Asigurari	59 UNIQA Asigurari
29 Heineken	60 Ursus Breweries
30 Holcim	61 Vodafone
31 Huawei	



Taxes and social security contributions paid by FIC employees

In 2023, the salary of employees working for FIC companies is significantly higher compared to the average salary in the overall Romanian economy. On average, FIC employees from the 56 analyzed companies earned a net salary of 8,655 RON per month, 89% higher than the average net salary in the economy of 4,584 RON. The difference also reflects the performance of the activity sectors (profit margin and net profit per employee, competitiveness on external markets), productivity, or levels of capital investment between foreign companies and domestic ones.



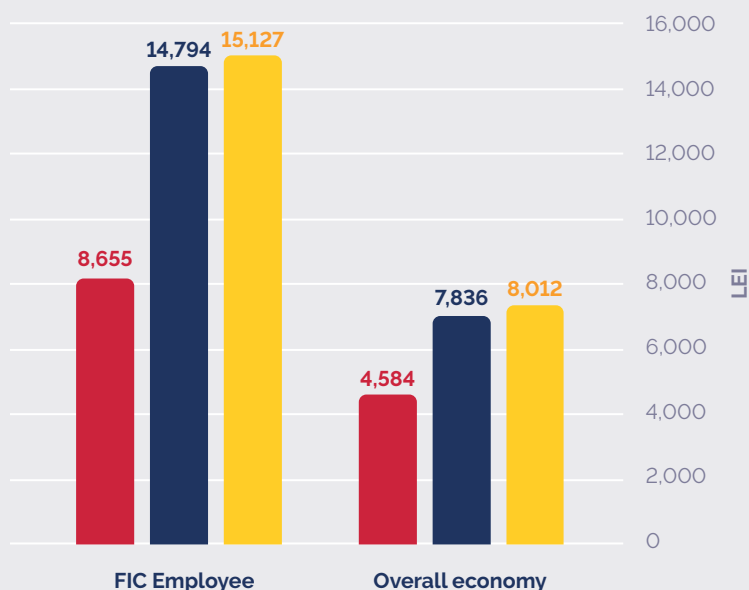
In 2023, to pay an average net monthly salary in Romania of 4,584 lei, the employer had a total cost of 8,012 lei. In the case of a FIC company, the total cost of an average net salary of 8,655 lei was 14,794 lei. These amounts included both taxes and contributions paid by the employee and those paid by the employer over and above the employee's gross salary.

To pay a FIC employee a net salary of 8,655 lei, the company **transfers approximately 6,472 lei to the state.**

FIGURE 2

Total salary paid for a FIC employee (2023)

- Net salary
- Gross salary
- Total salary



SOURCE
FIC and INS data

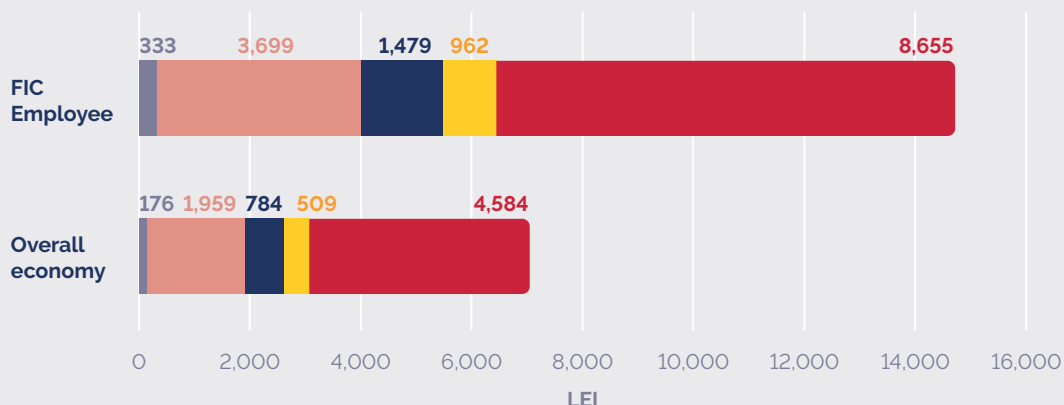
Figure 3 presents a more detailed breakdown of the salary structure for both FIC employees and employees in the overall economy of Romania for 2023. The figure highlights different components of gross income, such as social security contributions, insurance contributions, income tax, and net monthly salary.

Employees of the selected 56 FIC companies from our sample contribute significantly more to social security, insurance, and taxes compared to those in the overall economy, and their net salary is much higher.

FIGURE 3

Total social security contributions, insurance contribution for work, income tax and average net monthly salary (2023)

- Insurance contribution for work
- Contributions paid for pensions
- Social health insurance
- Income tax
- Net salary



SOURCE
FIC and INS data

On average, the Romanian state collects 6,472 RON from each FIC employee to produce public goods and offer services, which it makes available to all citizens. Also, each FIC employee contributes approximately 77,664 lei to the state budget each year, not counting the excise and VAT they pay when shopping or on local taxes. However, if we add only the VAT based on potential consumption from the net salary (0.865 consumption propensity estimated for Romania by the National Institute of Statistics, and a standard VAT rate of 19%), the total fiscal revenues at the state budget per year will be approximately 94,733 lei paid by an average FIC employee.

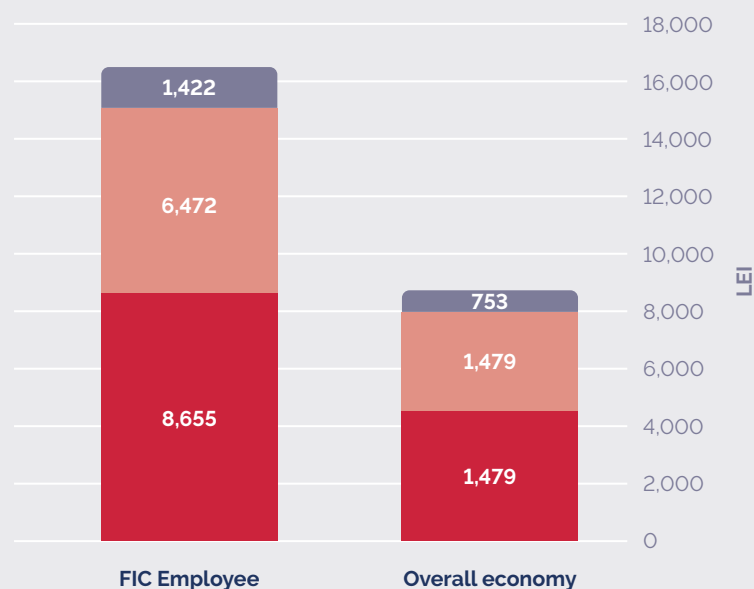
The sum of contributions and taxes paid monthly from the total salary for an FIC employee (the employee of one of the 56 analyzed companies) **exceeds the average net salary in Romania.**

FIGURE 4

Fiscal revenues from an average employee based on the net salary (2023)

- Fiscal revenues from consumption (VAT)
- The amount paid to the state from the total salary
- Net salary

SOURCE
FIC and INS



Therefore, what we can see from the data analyzed so far is that for FIC companies the average salary is much higher than Romania's minimum salary. Furthermore:

- Corporations pay both wages and employee contributions on time.
- All corporation employees receive their salaries and bonuses directly transferred into their bank accounts. Thus, FIC companies contribute to the reduction of the "underground economy" in Romania.
- Corporation employees are "*bankable*" clients, both through the elevated level of net salary and through the security offered by the financial situation of the company they work for.
- The main objective of public policies is to attract investments in industries with the highest added value, where salaries are also higher. FIC companies already offer this to their employees.



Productivity per employee

The net profit made by an average FIC employee from our sample covering 61 of the respondent companies in 2023 was 121,520 lei. The chart below compares the net profit generated per employee, but also by all employees in Romania, and by overall employment in Romania. We include also the non-respondent companies that are members of FIC whose data for 2023 were available at the Ministry of Finance (129,423 lei per employee). In general terms, FIC companies stand out with the highest net profit per employee at 129,423 lei based on better productivity and more efficient use of capital (benefiting from larger capital investments, advanced technologies, higher investment per employee, and higher skill levels among employees).

In comparison, the overall Romanian employee (based on the National Institute of Statistics of Romania definition¹) generates a net profit per employee of 111,960 lei, far lower than in FIC companies. To calculate the net profit at the national level we used the values of the gross operating surplus of financial and non-financial companies (GOS) from National Accounts statistics provided by NIS minus the value of corporate tax paid to the state budget in 2023.

Lastly, the net profit per employment for Romania is much lower, at 72,106 lei. This broader category likely includes part-time workers, self-employment, subsistence agriculture, or sectors with lower profitability, which brings down the overall average. It reflects the varied nature of employment in Romania, where different sectors and types of jobs contribute to the total economy, though with less efficiency compared to foreign companies analyzed in our sample.

The difference between the value of net profit per employee among the respondent companies and the national average shows that **for a foreign company employee, the profit generated is larger than the national average** by almost one month of profit generated in the overall Romanian economy. In other words, the net profit generated in first eleven months by an employee in a foreign company is almost equal to the profit generated in twelve months by an average employee in the Romanian economy.

Also, compared with the **net profit per employment, the difference is equivalent to approximately six months of average net profit per employment.**

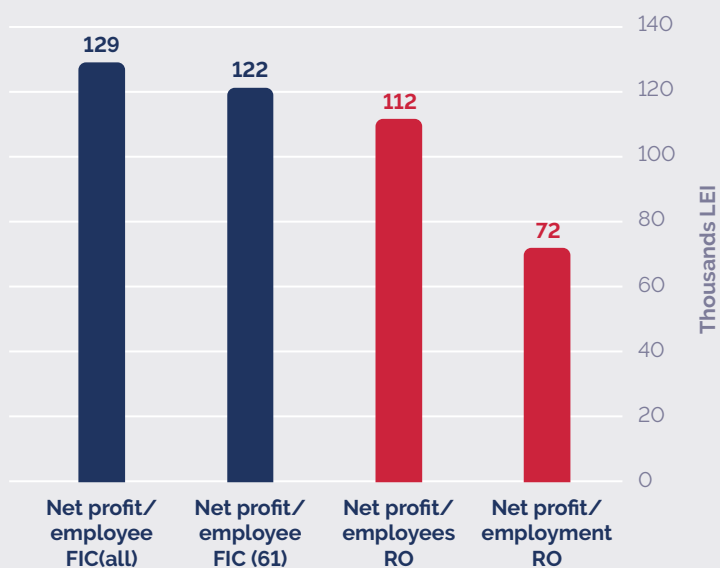
1 Employees: 5,364,938 persons and Employment: 8,471,100 persons in 2023.

FIGURE 5

Net profit per employee made by FIC companies (2023)

SOURCE

FIC data; to calculate the average net profit per employee RO and employment RO we excluded the employees and the net profit of the FIC members



Taxes paid by FIC companies

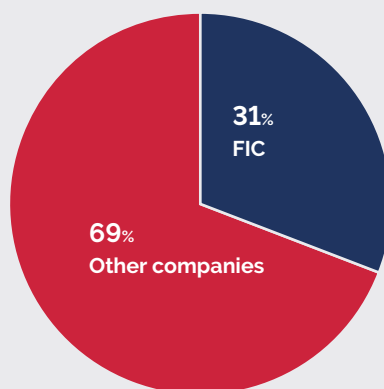
61 FIC companies transferred to the Romanian budget VAT and excise duties of approximately 43.2 billion lei, meaning 31% of the total VAT and excise duties collected by the state (141.6 billion lei) in 2023.

FIGURE 6

VAT and excise duty transferred to the State budget (2023)

SOURCE

FIC and the Romanian Ministry of Finance



The state relies to a very large extent on the efficient and transparent systems of companies that collect excise and VAT, and we observe that they do so without fraud and payment delays. The state can be sure at any time that these companies will collect the excise and VAT and pass it on immediately. These indirect taxes provide the government with essential funds

to finance public expenditure and contribute to the economic and social development of the country.

The 61 FIC member companies responding to the questionnaire made payments of over 63 billion lei (including almost 1 billion RON in dividends) to the Romanian state budget in 2023, representing approximately 14% of the total current revenues to the state budget.

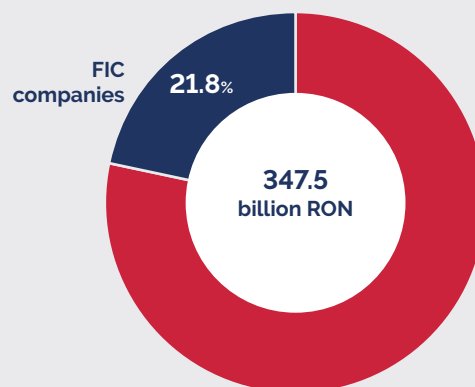
Moreover, the sums collected from FIC companies excluding dividends (62 billion lei) represented 47% of the total budget expenditures with personnel and 80% of the total budget expenditures with goods and services in 2023. Thus, these percentages highlight the substantial contribution that the surveyed FIC companies bring to the state budget, both in terms of supporting public expenses related to personnel, and the procurement of goods and services for the government and/or other public institutions.

Turnover (T/O) is another component that we consider when analyzing the impact of FIC member companies on the Romanian economy. The turnover of all FIC member companies has a significant role in Romania's Gross Domestic Product (GDP).

FIGURE 7

The share of total turnover of FIC companies in Romania GDP (2023)

SOURCE
FIC, the Romanian
Ministry of Finance,
the World Bank



In this sense, it **represented approximately 22% of nominal GDP in 2023**, respectively almost 348 billion lei. This value is composed of the sample of the 61 companies from our survey and the other 40 companies with data available whose turnover was obtained from the Ministry of Finance (see Figure 7).

Thus, this proportion indicates a substantial contribution of FIC member companies to the country's total economic activity. Furthermore, FIC member companies are only part of the total population of companies with foreign capital; this underscores the importance of promoting an environment conducive to attracting foreign direct investment, maintaining strong international trade relations, and harnessing the benefits of technology transfer and innovation to drive growth and economic development.

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