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ACCOUNTING MONOGRAPH OF PERSONNEL-RELATED EXPENDITURE IN 2017 COMPARED TO 2018

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Abstract
This paper discusses comparative aspects regarding the accounting monograph of the personnel-related expenditure in 2017 compared to 2018 following the legislative changes introduced.
The paper forwards a comparison between the minimum gross basic wage guaranteed in the country and the social contributions due and paid by the employee, and the social contributions borne by the employer, the calculation method of the net salary for the year 2017 compared to the calculation method for the year 2018.

Keywords: *accounting monograph, contributions, salary, tax, personal deduction*

JEL : *M41*

1. INTRODUCTION

The accounting of the personnel-related expenditure shows the salary rights, the bonuses, the prizes, the allowances for the holidays, for temporary labour incapacity, paid from the salary fund and other rights in money and / or in kind due to the public institution / economic entity to the personnel for the work performed.

The definition, composition and payment of the salary is regulated by Law no. 53/2003 regarding the Labour Code, which provides:

- the salary represents the reward of the employee's work;
- salary means: the basic salary + allowances + bonuses granted to the employee;
- regardless of other debts related to the functioning of the company, wages have priority.

În any society, human resource represents the main source of success or failure of an economic agent.

2. ACCOUNTING MONOGRAPH OF PERSONNEL-RELATED EXPENDITURE IN 2017 COMPARED TO 2018

2.1. Mandatary social security contributions in 2017

The minimum gross basic salary in the country, starting with February 2017 was 1,450.00 lei. The compulsory social contributions in 2017 are regulated by the provisions of the laws in force.

In 2017 there were 6 (six) mandatory social contributions:

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- CAS (social security fund), for normal working conditions, in total quota of 26.30%, as follows:
- 10.50% – borne by the employee;
- 15.80% – borne by the employer, with the following particularities: for special working conditions this quota is increased by 5%, increase that is supported by the employer; for special working conditions this quota grows by 10%, increase that is supported by the employer.
- CASS (social security health fund), in total share of 10.70%, as follows:
- 5.50% – borne by the employee;
- 5.20% – borne by the employer.
- The Unemployment Fund, in a total share of 1.00%, as follows:
- 0.50% – borne by the employee;
- 0.50% – borne by the employer.
- CCI, 0.85% - fully supported by the employer;
- The Salaries Guarantee Fund, in a 0.25% share - fully supported by the employer;
- Labour Accidents Fund, at a rate of 0.40% - entirely paid by the employer.

2.2. Calculation of mandatory social contributions in 2017

In the following section we shall analyse the calculation of the mandatory social contributions in 2017. They shall comprise both the mandatory social contributions due by the employee and those due by the employer:

Calculation of the mandatory social contributions incurred by the employee in 2017 Gross salary (Sb) = Vsal = 1.450 lei
Withheld amounts:

CAS = Vsal * 10.50% = 1450 lei * 10.50% = 152 lei
CASS = Vsal * 5.50% = 1450 lei * 5.50% = 80 lei
Unemployment Fund = Vsal * 0.50% = 1450 lei * 0.50% = 7 lei
Total withheld amounts = CAS + CASS + Unemployment Fund = 152 lei + 80 lei + 7 lei = 239 lei
Basic personal deduction = 300 lei
Taxable income = Sb – Withheld amounts - Deduction
Vi = 1.450 lei - 239 lei - 300 lei = 911 lei
Ivs = Vi *16% = 911 lei * 16% = 146 lei
Effective salary = Sb – Withheld amounts - Ivs
Effective salary = 1450 lei - 239 lei - 146 lei = 1065 lei
Total employee contributions / 2017 = Total withheld amounts + Ivs = 239 lei + 146 lei = 385 lei

Calculation of the compulsory social contributions incurred by the employer in 2017 (excluding the Labour Accidents Fund)

Salaries fund (FS) = 1450 lei
Contributions:
CAS = FS * 15.80% = 1450 lei * 15.80% = 229 lei
CASS = FS * 5.20% = 1450 lei * 5.20% = 75 lei

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Unemployment Fund = FS * 0.50% = 1450 lei * 0.50% = 7 lei
CCI = FS * 0.85% = 1450 lei * 0.85% = 12 lei
Salaries Guarantee Fund = FS * 0.25% = 1450 lei * 0.25% = 4 lei
Total contributions = CAS + CASS + Unemployment Fund + CCI + Salaries Guarantee Fund
Total employer contributions / 2017 = 229 lei + 75 lei + 7 lei + 12 lei + 4 lei = 327 lei
Total contributions due / 2017 = Total employee contributions + Total employer contributions
Total contributions due / 2017 = 385 lei + 327 lei = 712 lei

As we can see from the contribution rates as well as from the way they are calculated, until December 31st, 2017, the social contributions due for an employee (excluding the tax on the salary due by the employee, as well as the differentiated risk fund for each economic agent partly according to the CAEN code, due by the employer, amounted to 39.10%, with the following structure:

- employee contributions: 16.50%, in gross amounts of 385 lei;
- employer contributions: 22.60%, in gross amounts of 327 lei;
- total mandatory social security contributions: 39.10%, in gross amounts of 712 lei.

2.3. Mandatory social security contributions in 2018

If, until 31.12.2017, the contributions were divided between employers and employees, starting with 01.01.2018, they were transferred to the employee.

The employer was left only with the obligation to pay the C.A.M. - (Labour Insuring Contribution, of 2.25% applied to the salaries fund).

Table 1 Mandatory social security contributions due in 2017 compared to 2018

Name of contributions due	Until 31.12.2017		After 01.01.2018	
	Employer	**Employee**	**Employer**	**Employee**
C.A.S. (in normal working conditions)	15.80%	10.50%	-	25.00%
C.A.S.S.	5.20%	5.50%	-	10.00%
Unemployment fund	0.50%	0.50%	-	-
F.N.U.A.S.S.	0.85%	-	-	-
Salaries Guarantee Fund	0.25%	-	-	-
C.A.M.	-	-	2.25%	-
Total contributions	22.60%	16.50%	2.25%	35.00%
Tax on salary income	-	16.00%	-	10.00%
Risk and Accidents Fund	acc.to CAEN Code	-	-	-

(*Source*: elaborated by the author)

If in 2017 there were 6 (six) mandatory social contributions, starting with 2018 they were reduced to 3 (three). These changes were established by law and completely changed both their calculation method and the payers obligated to pay them, as follows:

- CAS, for normal working conditions, at a rate of 25% - borne by the employee, with the following particulars: for special working conditions; this share is increased by a percentage of 4%, increase that is supported by the employer; for special working conditions; this share is increased by a percentage of 8%, increase that is supported by the employer.
- CASS, 10% share - borne by the employee;
- CAM, 2.25% - fully supported by the employer.

2.4. Calculation method of compulsory social contributions in the year 2018

Analysis of the calculation method of mandatory social contributions in 2018:

Calculation of the mandatory social contributions incurred by the employee during the year 2018

Gross salary (Sb) = Vsal = 1900 lei

Withheld amounts:

CAS = Vsal * 25.00% = 1900 lei * 25.00% = 475 lei

CASS = Vsal * 10% = 1900 lei * 10.00% = 190 lei

Total withheld amounts = CAS + CASS = 475 lei + 190 lei = 665 lei

Basic personal deduction = 510 lei

Taxable income = Sb – Withheld amounts - Deduction

Vi = 1.900 lei - 665 lei - 510 lei = 725 lei

Ivs = Vi *10% = 725 lei * 10% = 73 lei

Effective salary = Sb – Withheld amounts - Ivs

Effective salary = 1.900 lei - 665 lei - 73 lei = 1162 lei

Total employee contributions / 2018 = Total withheld amounts + Ivs = 665 lei + 73 lei = 738 lei

Calculation of the mandatory social contributions borne by the employer during the year 2018

Salary fund (FS) = FS = 1900 lei

Contributions;

CAM = FS * 2.25% = 1900 lei * 2.25% = 43 lei

Total employer contributions / 2018 = 43 lei

Total contributions due / 2018 = Total employee contributions + Total employer contributions

Total contributions due / 2018 = 738 lei + 43 lei = 781 lei

The legal framework in 2018 is the transfer of a percentage of approx. 20% of the employer's burden on the employee's wage costs.

In order to keep the effect somewhat neutral from a fiscal point of view, on the employee level, the income tax rate was reduced simultaneously, from a percentage of 16% to a percentage of 10%.

As regards CAM, it should be noted that this includes the other four social contributions that were paid in 2017.

Thus, CAM consists of the former contributions for:

- unemployment;
- medical leaves;

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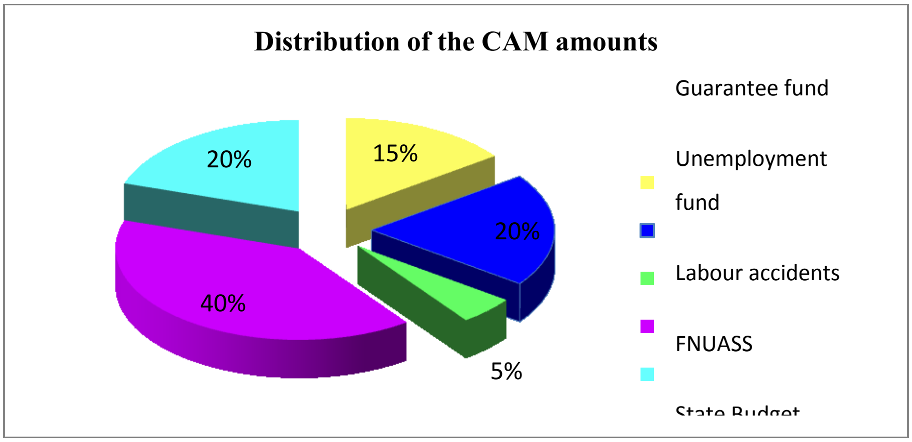
- professional risks;
- salary debts.

The amounts collected by the state from the CAM (in percentage of 2.25%) are distributed as follows:

- 15% – to the Salaries Guarantee Fund;
- 20% – to the Unemployment Fund;
- 5% – to the Risk and Labour Accidents Fund;
- 40% – to FNUSS, for the payment of medical leaves;
- 20% – to a distinct account, paid to the State Budget.



(*Source*: elaborated by the author)
Figure 1 – Distribution of CAM amounts

Analysis of mandatary social contributions when the minimum guaranteed gross salary remained on the level of 2017 (1450 lei), while compulsory social contributions were modified:

Table 2 Registration of salary rights due in 2017 compared to 2018

Name of the mandatory social contributions due	Contributions			
	Until 31.12.2017		After 01.01.2018	
	Employer	Employee	Employer	Employee
C.A.S. (in normal working conditions)	229.00	152.00	-	363.00
C.A.S.S.	75.00	80.00	-	145.00
Unemployment fund	7.00	7.00	-	-
F.N.U.A.S.S.	12.00	-	-	-
Salaries Guarantee Fund	4.00	-	-	-
C.A.M.	-	-	33.00	-
Total contributions	327.00	239.00	33.00	508.00
General total	566.00		541.00	
Tax on salary income	-	146.00	-	64.00
Effective salary received by the employee		1065.00		878.00

(*Source*: elaborated by the author)

If the minimum wage guaranteed for payment had remained at the level of 2017, as can be seen from the comparative table, although on the whole they would have decreased by 25 lei, the effective salary received by the employee would have been reduced by the amount of 187 lei.

For compensating this aspect, the legislator also proceeded to reduce the income tax, from 16% to 10%.

CONCLUSION

Government Decision H.G. no. 846/2017 regarding the minimum gross basic wage guaranteed in the country, favourably regulated this difference, establishing its level at the value of 1900.00 lei.

Table 3 Compared analysis of salary rights due in 2017 compared to 2018

Name of the mandatory social contributions due	Contributions			
	Until 31.12.2017		After 01.01.2018	
	Employer	Employee	Employer	Employee
C.A.S. (in normal working conditions)	229,00	152,00	-	475,00
C.A.S.S.	75,00	80,00	-	190,00
Unemployment fund	7,00	7,00	-	-
F.N.U.A.S.S.	12,00	-	-	-
Salaries Guarantee Fund	4,00	-	-	-
C.A.M.	-	-	43,00	-
Total contributions	327,00	239,00	43,00	665,00
General total	566,00		708,00	
Tax on salary income	-	146,00	-	73,00
Effective salary received by the employee		1065,00		1162,00

(Source: elaborated by the author)

The increase of the minimum wage guaranteed for payment starting with 2018, together with the modification of the mandatory payment contributions led to the following conclusions:

– their value increased to the amount of 142.00 lei (excluding the amounts representing the salaries income tax);
– there is a decrease in the amount representing the value of the income tax;
– we identified an increase of the effective salary received by 97.00 lei (at a personal deduction of 510.00 lei);

If we take into account the total mandatory social contributions (excluding the Risk and Accident Fund) in 2017 (566.00 + 146.00 lei = 712.00 lei) compared to 2018 (708.00 lei + 73 lei = 781.00 lei), we would be tempted to conclude that the value of the mandatory social debts increased (from 712.00 lei to 781.00 lei).
However, this growth is fictitious, because through the Government Emergency Ordinance O.U.G. no. 79/2017 one introduced the exemption on the salaries income tax for the companies' IT employees, employees who represent an important percentage of the workforce in Romania.

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2.5. Accounting highlighting of salary-related expenditure

The name of accounting derives from the notion of account (meaning "written account"), and as such a number of authors have defined accounting as "science of accounts", each economic process has an afferent account.
From the analysis of an account one can deduce both the situation at one point of the economic agent and the increases / decreases of the element whose record it holds.

According to the general accounts plan, an integral part of the Order of the Minister of Public Finances O.M.F.P. no. 1802/2014, with the subsequent modifications and completions, the accounting of salaries and debts related to them is kept with the help of:
a) synthetic account „42 – Personnel and assimilated accounts”;
b) synthetic account „43 – Personnel and assimilated accounts”;
c) synthetic account „444 – Tax on salary-type incomes”
e) synthetic account „646 – Expenditure for the labour insuring contributions”;
d) synthetic account „641 – Expenditure for the personnel salaries”.

Table 4 Registration of due salary rights in 2017 compared to 2018

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Expenditure for the personnel salaries	641	421	Personnel – salaries due

(*Source*: elaborated by the author)

Table 5 Registration of the income tax due in 2017 compared to 2018

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Expenditure for the personnel salaries i	641	444	Tax on salary-type incomes

(*Source*: elaborated by the author)

Table 6 Registration of mandatory social security contributions in 2017

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Personnel – salaries due	421	%	
		4312	Social security contribution
		4314	Social security health contribution
		4372	Unemployment Fund contributions

(*Source*: elaborated by the author)

Table 7 Registration of mandatory social security contributions in 2018

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Personnel – salaries due	421	%	
		4315	Social security contribution
		4316	Social security health contribution

(Source: elaborated by the author)

Table 8 Registration of the contributions due by the employer in 2017

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Social security contribution	6451	4311	Company social security contribution
Unemployment Fund contributions	6452	4371	Company unemployment Fund contributions
Social security health contribution	6453	4313	Company social security health contribution

(Source: elaborated by the author)

Table 9 Registration of the labour insuring contribution due by the employer in 2018

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Expenditure for the labour insuring contribution	646	436	Labour insuring contribution

(Source: elaborated by the author)

Table 10 Registration of other salary withheld amounts in 2017 compared to 2018

Explanations	**Accounts symbol**		**Explanations**
	Debtor	Creditor	
Personnel – salaries due	421	%	
		423	Personnel – material aids due
		424	Personnel participation in profit
		425	Advances granted to the personnel
		426	Uncollected personnel rights
		427	Amount withheld

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			from salaries due to third parties
		4281	Other debts related to the personnel
		4381	Other social debts

(*Source*: elaborated by the author)

3. CONCLUSIONS

The debates on the subject of the minimum wage are kept as acute, which confirms the validity of the arguments for and against the introduction of the minimum wage. Although both camps set out relevant empirical theories / research, the need to implement the minimum wage as a tool / measure to reduce economic and social inequalities, reduce poverty and material deprivation and inclusive economic growth has been relatively consensual in recent years. the discussion is mainly focused on the optimal level / dynamics of the minimum wage, beyond which the net effects of its implementation would start to be negative.

REFERENCES

The contribution rates of employers and individuals for 2017 were established by the following normative acts:
*** Law no. 7/2017 of the state social insurance budget for 2017, published in the Official Gazette no. 128 of February 17, 2017.
*** Law no. 6/2017 of the state budget for 2017, published in the Official Gazette no. 127 of February 17, 2017.
*** Law no. 227/2015 regarding the Fiscal Code, with the subsequent amendments and completions (New Fiscal Code, Title V Compulsory social contributions), published in the Official Gazette no. 688 of September 10, 2015.
At the basis of establishing the compulsory social contributions are the following normative acts:
*** Law no. 263/2010 – CAS.
*** Law no. 76/2002 - the unemployment fund.
*** Law no. 200/2006 - guarantee fund for payment of salary claims; *** Law no. 346/2002 - accidents at work and occupational diseases.
*** Law no. 95/2006 – CASS.
*** Emergency Ordinance no. 158/2005 - holidays and social health allowances.
The contribution rates of employees and employers for 2018 were established by the following normative acts:
*** Law no. 3/2018 of the state social insurance budget for 2018, published in the Official Gazette no. 5 of January 3, 2018.
*** Law no. 2/2018 of the state budget for the year 2018, published in the Official Gazette no. 4 of January 3, 2018.
*** Law no. 227/2015 regarding the Fiscal Code, with the subsequent amendments and completions, of which O.U.G. no. 79/2017 for amending and supplementing Law no. 227/2015 regarding the Fiscal Code (Title V Compulsory social contributions), published in the Official Gazette no. 688 of September 10, 2015.