

SALARIES AND MEDICAL CERTIFICATES. RECOGNITION IN ACCOUNTING AND TAX EFFECTS

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Abstract

Salaries represent employees' monetary rights and expenses for employers. Through this article we aim to highlight the complex way of calculating wage entitlements (although at present it is conveyed by the political system that due to the single rate, the net salary and the related contributions are determined very easily). The complex calculation is also due to the medical certificates issued by family doctors, hospitals, etc. We want to make some proposals to simplify the calculation method and streamline the recovery from the Health House of the amounts paid in advance by the employer for the medical certificates.

Key words: salaries, contributions, medical certificates.

Classification JEL: M40, M41

1. Introduction

Salary is an essential element in the employee-employer relationship. It is an element that should be negotiated at any employment. The size of a salary has social influence and has an impact on the employee's living standard, but also on the employer's prosperity. Most often the employer "forces" the granting of a minimum salary to a new employer, in order to pay the lowest possible budget obligations. Currently the minimum wage is 2,230 lei. Paradoxically, along with this salary of 2,230 lei, there are two other salaries that regulate a minimum level: 2,350 lei for people with higher education and 3,000 lei in the construction sector. We are not followers of the state interventionism in setting the minimum level depending on the sector or the level of education, because we believe that the salary is a negotiation element between the parties, as in the case of a commercial contract (for the state's intervention in economy, see the paper "the State and the economy – theoretical aspects and empirical evidence in the European union", p. 39 [1]). We agree that the state should set a unique minimum wage level in the country, but at present, setting other minimum wages affects the employer's independence and it creates a disguised social protection that will "damage" employees' bargaining power in the future. For the state to carry out an effective fight against tax evasion in the area of minimum wages (undeclared work, see art. 15.1 of the Labour Code) [2] it must find other levers and not to impose minimum wages in different areas (for example we propose as a lever the obligation to fill in the time interval in REVISAL for part-time employment contracts). Moreover, by establishing a minimum wage of 2,350 lei for persons with higher education, it highlights employees' "inability" to be able to negotiate the value of the work performed.

2. Research methodology

Research is a step forward, a step towards progress. To reach certain conclusions, it is necessary to carry out certain documentation and studies that need to be validated or invalidated.

Concretely, in our research work we have appealed to:

- the study of normative acts: for example, the Labour Code which provides some elements for undeclared work. Ordinance 158/2005 on leave and health social insurance benefits with

subsequent amendments and additions was also studied [3]. These normative acts “allow” for example employers (including authorized individuals) to increase the gross salary for women employees who are due to give birth in order to receive an (“increased”) allowance that will be borne by the state budget. Moreover, medical certificates are supporting documents for the calculation of salaries, and in our opinion, the issuers of these documents should be checked for compliance with the patients’ real situation.

- the revision of the specialized literature to substantiate the opinion on the state’s non-intervention in the economy for establishing several minimum levels of wages depending on branches and/ or higher education, etc.;

In the paper, we present the wages’ reflection in the accounting in the form of classic equations, but we recommend to permanently check the concordance of the payroll data with the balance check data, and with those of the ROL file issued by the tax authorities.

3. Case study on salaries reflected in accounting

Wages, from the employer’s perspective, are an expense. For this reason, the employer wants the salaries to be at a minimum level and implicitly the contributions due to the state, to be as low as possible.

Below we would like to present some case studies on salaries in order to highlight the different policies approached by taxpayers in the practical work and possibly the consequences of these approaches:

Case 1. A full-time employee (for part-time employees, we propose that the length of time for the work performed to be mentioned in REVISAL; this way, the work undeclared by the taxpayer would be easily detected) has a negotiated salary of 2,230 lei, and in June 2020 he worked 160 hours, and the personal deduction is 420 lei. Determine the gross salary and the salary contributions (the employer has as its object of activity the provision of accounting services).

- highlighting the gross salary (according to order 1802/2014 [4]):

641 “Expenses on staff salaries”	=	421 “Staff – salaries due”	2230
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- highlighting salary deductions:

421 “Staff – salaries due”	=	%	<u>884</u>
		444 “Salary income tax”	103
		4315 “Social Security contribution”	558
		4316 “Social health insurance contribution”	223

- highlighting the labour insurance contribution:

646 “Expenses on the labour insurance contribution”	=	436 “Labour insurance contribution”	50
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Note: the net salary in this case is 1,346 lei (2,230 – 884), and the contributions to be transferred to the state budget are in the amount of 934 lei (884 + 50) [5].

Fiscal consequences: full-time employee will cost the employer 2,280 lei (net salary and total contributions).

Note: the income tax, the social security contribution and the social health insurance contribution are transferred to a single account and the insurance contribution is transferred to a separate account.

Proposal: we suggest that all contributions related to salaries to be paid by the taxpayer in a single account, and the tax authorities can subsequently make the compensation based on the cash paid. The positive effects of this proposal are: more efficient management of taxpayer payments; lower bank fees (as payment in two bank accounts opened with the Treasury would be eliminated).

To get a picture of the savings that could be achieved, we will make the following reasoning: let's assume the that legal entities active on 31.12.2019 make at least one payment to a treasury account every month.

$$984.909 \times 2,5 \text{ lei commission} \times 12 \text{ months} = 29.547.270 \text{ lei}$$

Following our proposal, companies would save at least 29,547,270 lei per year, as they would no longer pay bank commissions. If the current system of payment of salary contributions is kept, banking companies will certainly benefit from it.

The companies registered in the Trade Register that have not declared the suspension of their activity and are not in any of the states that can lead to the loss of legal personality are considered legally active [6].

Case 2. A full-time employee has a negotiated salary of 2,230 lei, and in June 2020 he worked 160 hours, and the personal deduction is 330 lei. The employee received 20 tickets worth 300 lei. Determine the gross salary and the salary contributions (the employer has as its object of activity the provision of accounting services).

- highlighting the gross salary:

641 “Expenses on staff salaries”	=	421 “Staff – salaries due”	2230
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- highlighting salary deductions:

421 “Staff – salaries due”	=	%	<u>923</u>
		444 “Salary income tax”	142
		4315 “Social Security contribution”	558
		4316 “Social health insurance contribution”	223

- highlighting the labour insurance contribution:

646 “Expenses on the labour insurance contribution”	=	436 “Labour insurance contribution”	50
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- highlighting the tickets granted to the employee:

6422 “Expenses on tickets”	=	5328 “Other values”	300
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Note: the net salary is lower in this case (1,307 lei) compared to Case 1 (1,346 lei), because the salary tax is higher by 39 lei. The income tax is higher because the tax base also includes meal tickets.

Fiscal consequences: the legal person taxpayer will have a salary cost in the amount of 2,580 lei (net salary plus contributions due to the state to which is added the cost of the tickets).

In form 112, Declaration on the obligations to pay the social security contributions and the income tax, and the nominal records of insured persons, we want to refer to a field called “collected amount”:

Extract from form 112

Item name	Case 1	Case 2
Income tax base	1.029	1.419
Withheld tax	103	142
Amount received	1.346	1.607*

* It includes net salary (1,307 lei) and meal tickets (300 lei).

We recommend a correct fill in of the “amount collected” field as in the table above, because in practice there are cases when the value of the meal tickets is not taken into account and subsequently, when the income certificates are correctly completed, amending declarations to form 112 will have to be submitted, which means a waste of time both for the professional accountant and for the employee who has to make additional trips between different institutions (the form should have separate fields for the value of meal tickets, and the declaration should require keys to validate these boxes).

Case 3. A full-time employee has a negotiated salary of 2,230 lei, and in June 2020 he worked 96 hours and was on sick leave for 64 hours, code 01 – usual illness (from June 15 to June 24; 5 days will be borne by the employer and 3 days will be borne by the Health House), and the personal deduction is 435 lei. The salary for the last six months is 13,380 lei, and the number of days worked in the same period is 122 (these values are necessary for calculating the medical leave allowance). The employee received 12 tickets worth 180 lei corresponding to the time worked. Determine the gross salary and the salary contributions (the employer has as its object of activity the provision of accounting services).

- highlighting the gross salary:

$$\frac{641 \text{ “Expenses on staff salaries”}}{*(2.230 / 20 \times 12) + 411 = 1.749} = \frac{421 \text{ “Staff – salaries due”}}{* 411 = (13.380 : 122) \times 75\% \times 5 \text{ days}} \quad 1.749$$

The amount of 411 lei represents the amount borne by the employer for the first 5 days of sick leave and this amount will be subject to taxation.

- highlighting salary deductions:

421 “Staff – salaries due”	=	%	669,40
		444 “Salary income tax”	98,40
		4315 “Social Security contribution”	437
		4316 “Social health insurance contribution”	134*

*the health contribution is calculated only for the salary related to the time worked, respectively 1,338 lei (2,230 / 20 x 12). 10% applies to the value of 1,338.

- highlighting the value of sick leave borne by the Health House:

4382 “Other social claims”	=	423 “Staff - material aid due”	247
		$*(13.380 : 122) \times 75\% \times 3$	

- highlighting salary deductions:

423 “Staff - material aid due”	=	%	74,60
		444 “Salary income tax”	12,60*
		4315 “Social Security contribution”	62**

$*(1.749 + 180 + 247 - 499 - 134 - 435) \times 10\% = 111$ lei

Income tax is $12,60 + 98,4 = 111$ lei

** $247 \times 25\%$

- highlighting the labour insurance contribution:

646 “Expenses on the labour insurance contribution”	=	436 “Labour insurance contribution”	39
		$*1.749 \times 2,25\% = 39$ lei	

- highlighting the tickets granted to the employee:

6422 “Expenses on tickets granted to employees”	=	5328 “Other values”	180
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Fiscal consequences: the employer will pay the employee the net salary of 1,252 lei and the equivalent of the tickets of 180 lei. Salary contributions amount to 783 lei. The salary basket is 2,215 lei, and the amount of 247 lei will be recovered from the Health House. In practice, the recovery of the amounts from the Health House is a very difficult process, as the taxpayer is asked to prepare the following documents: application, the summary of medical certificates, the receipt of declaration 112, the summary sheet for the labour insurance contribution, the calculation method of the daily allowance for each medical certificate, the medical certificate correctly completed by the issuer. We point out that these documents are submitted on paper, although a lot of information is stored electronically, and the employees of the Health House has access to them (receipt, calculation method, etc.).

Proposal: form 112 should provide a box where the taxpayer can check the request for the amount paid to the employee for sick leave, and the Health House to transfer the amount to the employer's account without further verification up to the threshold of 5,000 lei. If risks arise from the verification of declaration 112, the staff of the Health House may physically go to the taxpayer's premises to check the medical certificates. Moreover, we are proposing the creation of a platform where the taxpayer can upload the scanned medical certificate and the Health House staff to have access to the information at any time. This way, the time usually spent by the professional accountant at the Health House would be avoided and he would be no longer humiliated.

4. Conclusions

Following our research, we present the below conclusions and proposals:

- a field for part-time employees to be added in REVISAL in order to fill in the time frame for the work performed; this would lead to detecting the undeclared work.
- medical certificates to be electronically submitted to the Health House, and their settlement to be carried out without a physical verification of these documents up to the threshold of 5,000 lei. A check can be carried out even for values up to 5,000 lei, if a risk is found in declaration 112.
- all salary contributions to be transferred to a single account (income tax, Social Security contribution, health social insurance contribution and labour insurance contribution), for a better management of the summary sheet and for savings on bank fees.
- form D112 to provide separate fields for the value of the meal tickets granted to the employee for a correlation between the amounts in the payroll and the declaration that is submitted to the tax authorities.

5. The limitations and the perspectives of the research

This paper presents certain aspects consisting in the non-presentation of all cases regarding medical certificates depending on the disease codes (01-usual disease, 06-medical-surgical emergency, etc.). We intend in the future to deepen the calculations for each type of medical certificate issued by the family doctor, hospital, etc.

We also intend to deepen the area of payments to be made for disabled people who are not employed by entities with a number of at least 50 employees. This contribution is declared through form 100 and does not require the registration in the tax vector of this tax obligation.

6. References

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