

Handy hints for payroll accountants: national insurance and income tax (2/2/17)

This article summarises the provisions of tax laws and other legislation affecting the calculation of national social insurance (NSI) contributions and personal income tax (PIT) on wages and salaries in 2017.

NSI contributions

The following rates apply from 1 January 2017:

Employee category	Employer (%)	Employee (%)	Total rate (%)
Covered by all types of NSI	23.59	10.50	34.09
Eligible for state old-age pension	20.57	9.16	29.73
Recipient of retirement pension or disabled person receiving special state pension	21.85	9.72	31.57

PIT and taxable income

The PIT rate of 23% on employment income remains unchanged in 2017.

When calculating an employee's monthly income that attracts PIT, the following items must be deducted from their gross wage or salary:

- the employee's NSI contributions;
- a monthly personal allowance of €60 (down from €75 in 2016) if the employee's payroll tax book has been filed with this employer;
- a monthly allowance of €175 for each dependant entered on the employee's payroll tax book filed with this employer (from 1 January 2017 a dependant allowance is also available for a non-working spouse taking care of a minor child legally recognised as a disabled person);
- an allowance of €154 a month (€1,848 a year) for a disabled person in class I or II, and €120 a month (€1,440 a year) for class III, instead of a personal allowance;
- an allowance of €154 a month (€1,848 a year) for a politically repressed person and a person recognised as a member of the national resistance movement;
- the employee's solidarity tax contributions.

A taxpayer simultaneously entitled to extra allowances as a disabled person and a politically repressed person or a member of the national resistance movement will receive the higher entitlement.

In 2017 the amount of income attracting NSI contributions is capped at €52,400 (up from €48,600 in 2015 and 2016). The employer will have to continue calculating and withholding the employer part and the employee part after the cap is exceeded, but these payments will be treated as solidarity tax contributions. The National Social Insurance Agency will administer solidarity tax, i.e. determine the proportion of NSI contributions going to the nation's core budget in the form of solidarity tax.

Wages, salaries and other fees that are paid after 2016 for any employment or other activities carried out before 2017 will attract PIT and allowances at the old rates.

The minimum wage and hourly rate

In 2017 the minimum monthly wage is €380.

The minimum hourly rate for each month in 2017 is still arrived at by dividing the minimum monthly wage by the normal working hours in the month. In January, for example, if an employee is to work 160 hours (40 hours a week), then his minimum hourly rate for January is calculated as follows:

$$380 / 160 = €2.375.$$

Business risk duty

In 2017 this duty continues at a rate of €0.36 per employee a month.