SOCIAL SECURITY CONTRIBUTIONS IN THE EUROPEAN UNION - SIMILARITIES AND DIFFERENCES

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Abstract
Fiscal obligations are the main economic and financial levers, being means of sizing, means of signaling, control and regulation, means of incentives or sanctions and means of quantifying efficiency. Taking into account the background and shape features, the incidence on payers, the taxable object, the object in view, frequency of achievement, as well as, the administration mode, in most states of the world, tax obligations are represented by taxes and social contributions. Without claiming an exhaustive approach, through this article we will surprise the characteristics of social contributions in the EU Member States to highlight the main similarities and differences.

Keywords: social contributions, social benefits, employer, employee, social security tax rates

Introduction

Because, in any democratic state, social protection occupies a particularly important place in government policies, there is a need for public financial resources to finance the national pension system, the health system, the social assistance system, in order to cover all or part of the risks of illness, disability, old age, death, unemployment, maternity or accidents at work (Comaniciu, Mihaiu and Bunescu, 2010). In this context, the provision of financial resources is mainly made on the basis of social security contributions paid by employees, employers and insured persons.

For unitary analysis and comparisons, the OECD has made a typology of fiscal obligations, taking into account the tax base, namely income and

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profit, wages and labor, products and services and other obligations (OECD, 2017), social security contributions occupying a significant place.

Although social security contributions imply direct taxation, they are treated differently from other types of taxes, as these are a set of special levies of participatory contribution, in pecuniary form, to finance a service from which it is considered by the taxpayer to have a real or assumed advantage (Popescu, 2002), as can be seen from table no. 1.

Table no. 1 Classifications of fiscal obligations

1000	Taxes on income, profits and capital gains		
2000	Social security contributions		
	2100	Employees	
		2110	On a payroll basis
		2120	On an income tax basis
	2200	Employers	
		2210	On a payroll basis
		2220	On an income tax basis
	2300	Self-employed or non-employed	
		2310	On a payroll basis
		2320	On an income tax basis
	2400	Un-allocable as between 2100, 2200 and 2300	
		2410	On a payroll basis
		2420	On an income tax basis
3000	Taxes on payroll and workforce		
4000	Taxes on property		
5000	Taxes on goods and services		
6000	Other taxes		

(Source: OECD, 2017)

Although there are no fiscal harmonization elements for social security contributions through EU fiscal policy, each EU Member State having its own social insurance law, however, rules are established for coordination, so that the citizens of the European Union to know where to pay social security contributions and the elements that do not allow the loss of social security rights (European Commission, 2017a).

Taking into account these considerations, based on analysis and synthesis, induction and deduction, through this article, we will present the main features of social security contributions across the EU Member States in order to identify similar and differentiated aspects.

The role and place of social security contributions in the total fiscal revenues

The concept of social security is established in Article 22 of the Universal Declaration of Human Rights, according to which each member of a state has the right to social security in accordance with the resources available in the State to which it belongs and the organization of the social security system (Wikipedia, 2016).

The International Labor Organization pays special attention to the social security system, identifying issues such as: constitutionally establishing the social security rights for all citizens of a state (ILO, 2016); protection of social security rights (ILO, 2012); setting minimum standards for the nine branches of social security, namely: health care, sickness benefits, unemployment benefit, old-age pension, work-related indemnities, family allowances, maternity allowances, allowances in the case invalidity, survivor's pension (ILO, 2011).

All these aspects, require each state to build an adequate social security system, such that, by organizing the system and through the training and allocation of resources to guarantee its citizens the rights to protection and social security.

The studies and researches found in the specialty literature, as well as the experience of the world's states point out that in the establishment of the social security system and implicitly in the way of settling and collecting the social security contributions, the following should be taken into account:

- significant differences between the activities carried out in urban and rural areas (Chen and Yang, 2014);
- the relationship between state social insurance and private social insurance (Ahmed, Barber and Odean, 2016);
- effective application of benefits by gender beneficiary (Burkhauser and Holden, 2013);
- the relationship between social insurance, economic growth and well-being (Bruce and Turnovsky, 2013);

- the impact of social security benefits on young people and the unemployed (Altman, Mokomane and Wright, 2014);
- the impact on the labor market (Cuesta și Olivera, 2014) and on public health (Atun et al, 2015);
- the effect on income redistribution (De Moura et al, 2013) and access to benefits and social security services (Chapman, Hall and Moore, 2013);
- the impact on demographic indicators (Chomik and Piggott, 2015);
- the distortions that may occur in social security benefits, notably in the case of total or temporary incapacity for work and pensions (Russo et al, 2015).

Social contributions are among the fiscal obligations, being mandatory payments that give to the taxpayer the right to receive social benefits in the future, respectively old-age pension, pension of the survivor, temporary or permanent incapacity benefit, family allowances, provision of medical and hospital services. The essential distinction between social contributions and taxes is that they involve the creation of targeted funds, managed by central government bodies or public institutions with attributions in this area, while taxes are used to cover public needs as a whole.

The social and economic impact of social security contributions and implicitly the impact of social security benefits, have determined the states of the world to attach particular importance to these fiscal obligations, having a significant share in total tax, in total public financial resources and in GDP.

Thus, according to statistical data, the following are observed:

- social contributions as % of revenues is very different across EU Member States, with values in 2015 from below 3% in Denmark and over 40% in the Czech Republic, France, Germany and Poland (The World Bank, 2017), as can be seen from Figure no. 1;

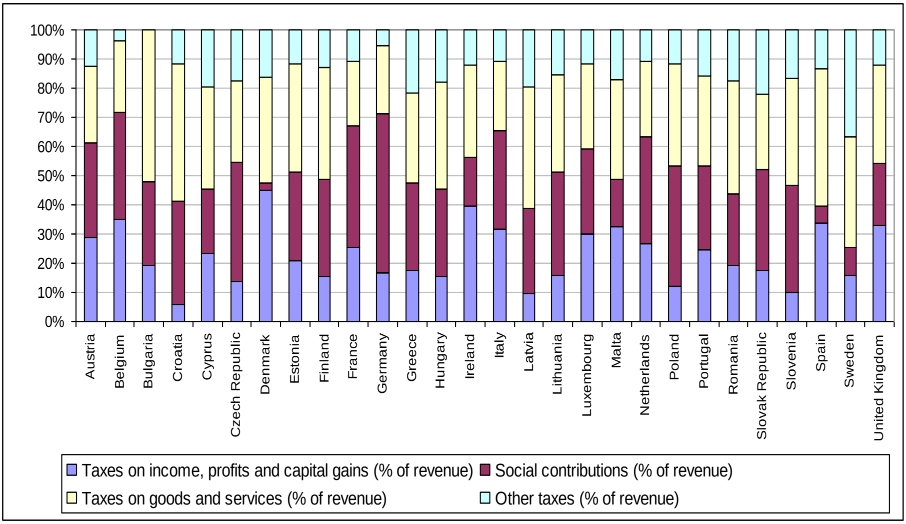

Figure no. 1 Structure of public revenue in EU Member States in 2015
(Source: The World Bank, 2017)

- at the level of 2015 compared to the situation in 2000, there is a reduction of social contributions as % of revenues in most EU Member States (The World Bank, 2017), with the largest declines in Poland (-20.7 percentage points), Bulgaria (-18.5 percentage points), Slovenia (-16.7 percentage points) and Romania (-10.8 percentage points), as can be seen from Figure no. 2;

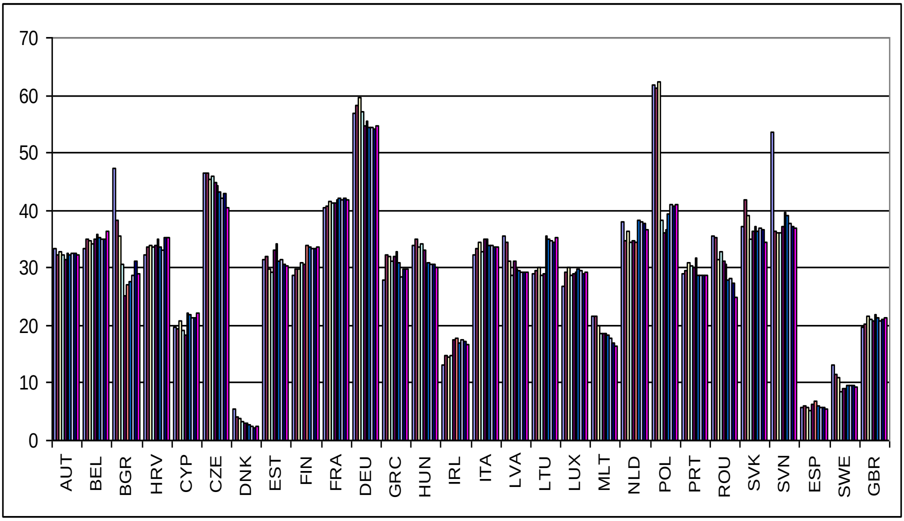

Figure no. 2 Evolution of social contribution as % of revenues in the EU member states during 2000-2015
(Source: The World Bank, 2017)

- in the period 2000-2015, social contributions as % of GDP in the EU28 did not show any major changes, with the highest values registered in 2009 and 2013, respectively 12.2% (European Commission, 2017b), as can be seen from Figure no. 3;

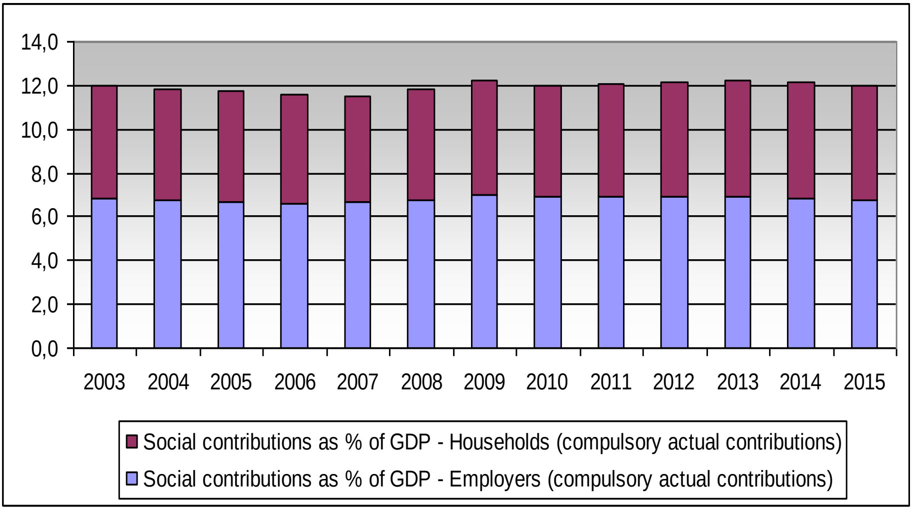

Figure no. 3 Evolution of social contributions as % of GDP in EU28
(Source: European Commission, 2017b)

- in most states of the world, social security contributions are based on employee and employer contributions, taking into account the salary incomes, the highest tax rates being recorded in Europe, especially at the level of EU Member States, both for employer social security tax rates (KPMG, 2017a) and for employee social security tax rates (KPMG, 2017b), as shown in Figure no. 4 and Figure no. 5;

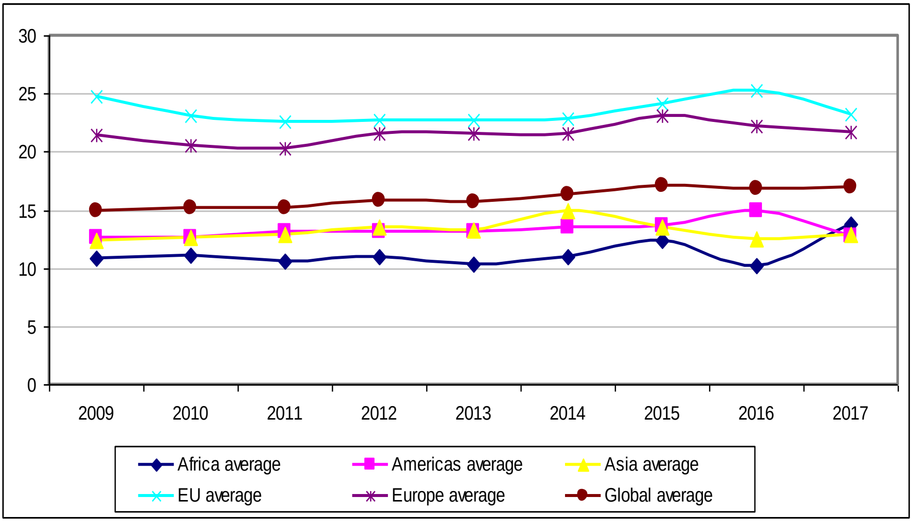

Figure no. 4 Evolution of employer social security tax rates
(Source: KPMG, 2017a)

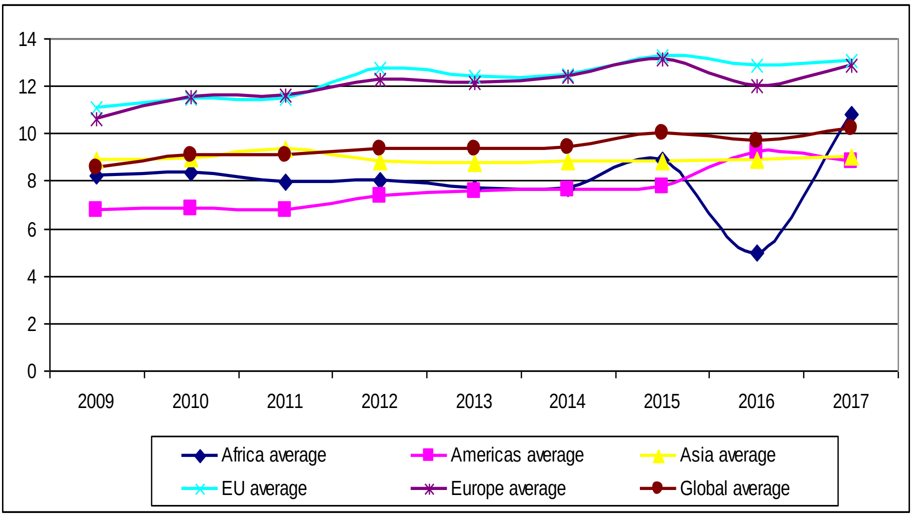

Figure no. 5 Evolution of employee social security tax rates
(Source: KPMG, 2017b)

- from the evolution of employer social security taxes rates (KPMG, 2017a) and employee social security tax rates (KPMG, 2017b) for the period 2009-2017, it is noted that the vast majority of EU Member States have retained unchanged the tax rate or proceeded to its decrease, the only countries that increased the tax rate in 2017 compared to 2016 being Bulgaria (+0.96 percentage points), France (+1.6 percentage points) and Germany (+0.1 percentage points) for employer social security, and Bulgaria (+0,44 percentage points), Finland (+0,38 percentage points), France (+0,6 percentage points) and Germany (+0,1 percentage points) for employee social security;
- at the level of 2016, taking into account the social security rate for companies and the social security rate for employees (Trading Economics, 2017), rates were recorded between 8% in Denmark and 54.83% in France, as can be seen from Figure no 6;

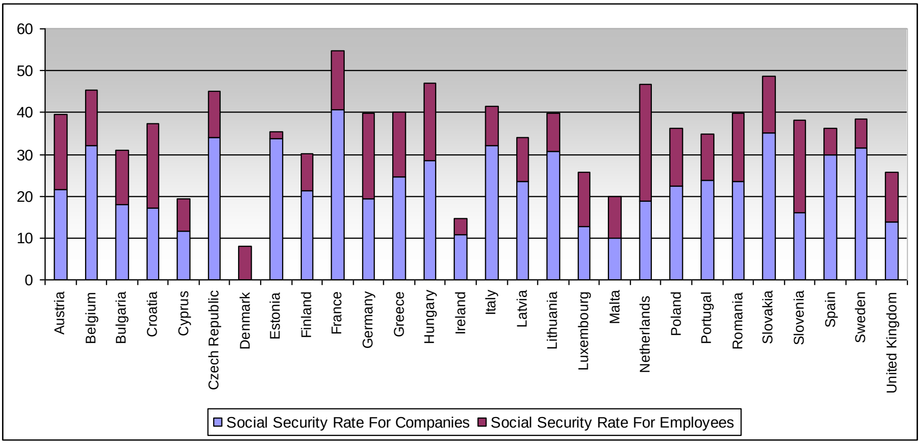

Figure no. 6 Social security tax rates in 2016
(Source: Trading Economics, 2017)

Particularities of social security contributions in EU Member States

According to data and information centralized globally by EY Global Tax (EY Global Tax, 2015), it is noted that most states practice social security contributions for employers, employees and individuals who earn income from self-employment.

Because each EU Member State has its own social security system, by the following examples a number of differentiations can be observed, especially from the perspective of the mode of determination (KPMG, 20117b):

- The Austrian social security system refers to: the old-age insurance contribution; unemployment insurance contribution; health insurance contribution; the contribution to the insolvency guarantee fund; contribution to accident insurance. Along with these contributions, employers in Austria are also required to pay: the contribution to the compensation fund; the contribution to the family indemnity fund; the community tax; the Chamber of Commerce's contribution. Are applied different rates of taxation for social security for the employee, respectively 18.12% for recurring salary and 17.12% for non-recurring payments.
- In Belgium, for persons who earn income from self-employed activities, the social security contribution is set differently on net income, ie 22% for a net income of up to 55,576.94 EUR and 14.16% for a net income between EUR 55,576.94 and EUR 81,902.81, with a maximum annual contribution of EUR 15,954.68. For the period 2016-2020, Belgium will make reductions in the top social security rate so that in the year 2020 the top rate will reach 25%.
- Changing the tax rate for social security for the employee in Cyprus is done every five years by increasing it.
- In Denmark, social security contributions for employees are determined as a monthly lump-sum contribution, reaching DKK 1,135.8 per year.
- In Germany, the employee's contribution to health insurance varies depending on the existence or not of dependent children, respectively 9.925% for the employee who does not have children and 9.675% for the employee who has children.
- Starting January 1, 2017, all social security contributions of Greek employees are found in a single fund called the Unified Social Security Fund, with the tax rate falling from June 1, 2019 respectively June 1, 2022.
- In Italy, the rates for employees' social security contributions depend on the employer's job and the position occupied by the employee, respectively worker, executive, or manager. If the employees did not contribute to social security at all until January 1, 1996, they were obliged to

bear a pension insurance contribution for the gross registered income for the year 2015 up to a maximum of EUR 100,324.

- The rates for the social security contributions of the Luxembourg employee vary according to the type of remuneration, respectively 3.05% for ordinary base salary and 2.8% for non periodic remunerations.
- In Malta, the social security contribution for employees is set weekly, depending on the salary earned and on the date of the birth, so a maximum of EUR 50.24 if the employee is born up to 31/12/1961 and a maximum of EUR 56.78 if the employee is born from 01/01/1962 onwards.
- The social security contributions of the Polish employee are determined on the basis of average earnings, such that, it is realizing their change annually, usually through growth.
- For foreign employers not based in Sweden a lower social security contribution rate of 20.7% is applied compared to 31.42%.

At the level of the European Union, the main indicators analyzed from the perspective of the social protection system are: total expenditure for social protection (% of GDP); total social protection spending per capita at constant prices; total social protection expenditure compared to GDP changes; funding schemes.

Thus, according to data published by Eurostat (Eurostat, 2016), the following are found:

- In 2013, the expenditure on social protection per capita, expressed in terms of purchasing power standards (PPS) in EU Member States had values between 14,662 PPS (in Luxembourg) and 2,205 PPS (in Romania). If the first places, with a total social protection expenditure per capita which exceeded 10,000 PPS, were occupied by Luxembourg, Denmark, the Netherlands, Austria and France, at the opposite pole were Latvia, Bulgaria and Romania, with total social protection expenditure per capita of 2,483 PPS, 2,318 PPS and 2,205 PPS, to a major difference from the first places (Eurostat, 2016).
- In 2014 the expenditure on social protection per capita have not changed significantly compared to 2013, the only countries with a slight decrease was Ireland, Greece and Cyprus.
- In 2015, values for social protection expenditure in EU Member States were of 19.2% of GDP, 40.6% of total expenditures, respectively EUR 2,822 billion. The highest share of these expenditures was allocated to the

payment of old-age pensions, respectively 10.3% of GDP in all EU Member States and 10.8% of GDP for euro area countries.

Conclusions

Without claiming an exhaustive approach, through the information presented in this article, it can be seen the importance given by EU Member States for social security contributions, with a share of them in GDP of 11%. Even though there are differences in how social security contributions are determined, in all states there is a concern for: fair and non-discriminatory; the involvement of employers and employees in the formation of the necessary resources for social protection; some stability of tax rates; establishing an appropriate relationship between the public system and the private social security system.

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