

# STAFF SETTLEMENTS ACCOUNTING IN PUBLIC INSTITUTIONS OF REPUBLIC OF MOLDOVA

**MIHAIL NANI**

ACADEMY OF ECONOMIC STUDIES OF MOLDOVA

mihail-61@inbox.ru

**MARIAN SOCOLIUC**

STEFAN CEL MARE UNIVERSITY OF SUCEAVA

marians@eapusv.ro

**TATIANA NICIC**

ACADEMY OF ECONOMIC STUDIES OF MOLDOVA

## **Abstract:**

*Public institutions have an important role because they help the state to fulfill its functions and role. Human resources serve as a lever for progress and development of activities of public institutions. In this scientific work was described conditions and method of realization of wage activity in public institutions in Republic of Moldova. We have analyzed the criteria that determine wages in public institutions and persons over which spreads the system of establishing basic wages.*

**Key words:** *Public institutions; accounting; staff settlements.*

**JEL classification:** M41

## **Introduction**

From the practical point of view was investigated the income tax determination and its retention of salary and also the method of accounting and the preparation of documents related to the settlement of the remuneration of staff of public institutions.

Accounting of labor remuneration plays an important role in accurate calculation of wage and salary workers in the established terms, because always correlating to the size, structure and needs of public institutions, human resources are the element that ensures cohesion, efficiency and stability of the budget system.

Remuneration of employers in the budgetary sector is regulated by the following acts and legislative:

- Law on salary system in the public sector no. 355-XVI of 23.12.2005;
- Governmental Decision on the conditions of the personnel remuneration of budgetary units under the single tariff network no.381 of 13.04.2006;
- Governmental Decision on the remuneration of public servants no. 331 of 28.05.2012.

According to art. 128 (1) of the Labor Code wage is any reward or gain evaluated in money paid to the employee by the employer on the basis of individual employment contract, for work performed or to be performed( Labor Code Of Republic of Moldova, 2003.)

According to art. 4 para. (1) Pay Law no. 847-XV from 14.02.2002, salary includes: (Pay Law no. 847-XV of 14 February 2002):

- basic salary (tariff wage)
- additional salary (additions and increases in basic salary);
- Incentive payments and other compensation.

The basic salary is determined as salaries for workers and wages for officials, experts and leaders, for the work undertaken in accordance with established work according to their qualification, level of training and competence of the employee, quality, degree of responsibility for things done and their complexity.

Additional salary is a reward for the work over the rules established for effective work and inventiveness and for special work conditions. It includes additions and increases to the basic salary, guaranteed payments and other current awards, established according to the results, specific working conditions, and in some cases provided for by law and taking into account seniority.

Other incentive payments and compensation include rewards according to annual activity results, prizes according to systems and special regulations, payments of compensation and other payments not covered by the legislation, which do not contradict it.

The basis of organization of employers' salary from budgetary units constitutes the system of establishing basic salaries, which include:

- Single tariff Network payroll employees in budgetary units;
- Tariff salary for the first category of single tariff network, which is established and shall be reviewed by pay law no. 847-XV of 14.02.2002;
- Priority intersectional indices which are differentiated on priority fields, constitute part of the single tariff network and applies to differentiate salary levels relative specificity, complexity and importance of business areas.

Single tariff network represents all wage and salary costs, which includes 22 categories of payment. Every year from the 1st June, typically by Government Decision, the function salaries defined in the single tariff increases by 8-10%.

## **Material and Methods**

### **I. CRITERIA FOR DETERMINING THE SALARY**

The establishing of wage in public institutions is taken into account by the following criteria:

#### **1. Salary categories**

Salary categories for a particular function shall be determined according to the qualification requirements on the wage for personnel with advanced specialties in budgetary institutions and organizations approved by order of the Ministry of labor and social security from 08.12.1993, except functions that are set out in the classification of public functions. For the position of accountant of category II shall be assigned to the salary category 10-11 and the following qualification requirements: higher economic education without submitting seniority requirements, or specialized secondary education (economic) and seniority as an accountant for at least 3 years.

#### **2. Priority intersectional indices**

Intersectional priority indices for specific military functions of national defense, state security and public order is 1.50. Salaries according to application priority intersectional indices are determined by multiplying with the index of priority established for the specific activity.

#### **3. Salary increases**

Budget units' staff remunerated according to the single tariff network benefits from the increases in basic salary, for example the increase for the qualification (category) is 30, 40, 50% of the civil service salary, and the bonus for seniority shall be determined in % from the wage function.

Seniority allowance for staff of budget entities (except workers) is determined according to the Regulation on the calculation of the work period to the bonus for length of service personnel budget units remunerated under the single tariff network, approved by the Government Decision.

In order to establish allowances for seniority shall appoint a committee by the manager of the public institution, which examines the periods of work books for employees once every 5 years. Commission shall draw up the protocol which decide the setting monthly gain for that employee seniority according to seniority.

Seniority allowance is payable with effect from the 1st of the month following the month in which the seniority completed under tranche. The calculation of the work period for granting gain seniority shall be determined by the Government.

Increase in basic salary for the qualification grade is: a)

30% for the second degree;

b) 40% for the first degree;

c) 50% for higher grade.

The basic wage setting is not spread on monthly wages of:

- Persons of public authorities, elected according to the Constitution of the Republic of Moldova (Moldovan President, Speaker of Parliament, MPs, mayors, etc.);
- Persons of public authorities, named according to the law, and persons holding public office first rank (Prime Minister, Ministers, Attorney General, etc.);
- Civil servants from central public authorities (Secretary General of Parliament, Head of the Office of the Court of Auditors, etc.), established in Annex 2 to the Government Decision no.331 from 28.05.2012(Governmental Decision on the remuneration of civil servants nr.331 of 28.05.2012).

## **Results and discussion**

### **II. ESTABLISHING, DETERMINING AND THE ACCOUNTING OF SALARIES**

The monthly salary (basic salary) for public employees, paid under the single tariff network is established annually according to single tariff network classification scheme, approved by the ministry / district councils, depending on the subordination of the institution.

For material incentives to increase staff efficiency and quality of work, managers of public institutions are granted the right, in consultation with trade unions, to reward employees within the wage bill and to give them material aid.

Hints and conditions of awards and prizes sizes employees shall be determined by the heads of public institutions, in consultation with the trade union committees, under a regulation coordinated with the ministry.

Leaders of budget units and their deputies may be granted annual material support of up to a monthly salary basis, taking into account bonuses and supplements established by law.

Salary is calculated at the end of each month based on:

- Monthly wage established in the employment scheme for that year;
- Protocols of the Commission for establishing seniority at work;
- The head order about the awards;
- Table records of time worked;

- The head order on granting annual leave etc.

The costs of labor remuneration are attributed to Article 111 "Remuneration".

For evidence on wage settlements with staff is intended passive account 180 "Settlements with staff on remuneration". The credit - payroll, the debit - deductions from wages, salary. The credit balance - the institution's duty to employees on wages.

To calculate the salary to be paid must determine the related deductions, which include: income tax, social security contributions and compulsory insurance premiums for healthcare, and others.

According to art. 15 (a) of the Tax Code for individuals tax rates in 2014 are:

(Regulation on income tax withholding from wages and other payments made by the employer for the benefit of the employee, approved by Government Decision No. 10 of 19.01.2010):

- 7% of annual taxable income that does not exceed 27,852 lei;
- 18% of annual taxable income that exceeds the amount of 27,852 lei;

The taxable monthly income of 7% tax rate is the amount not exceeding 2321 lei (27,852: 12 months = 2321 lei) and monthly taxable income which exceeds the amount of 2321 lei will apply 18% tax rate.

Individual social security contribution rate for 2014 is 6%, while the share of compulsory insurance premiums healthcare is 4%.

The accounts of salary deductions are passive. The credit that reflects retention of salary. The debit- transfer of detention as intended. The credit balance - the institution's debt deductions from wages.

Analytical Evidence of salary deductions is organized in the register of current accounts and disbursements.

Manner of income tax withholding from wages is regulated by the Regulation on income tax withholding from wages and other payments made by the employer for the benefit engage-met, approved by Government Decision no. 10 of 19.01.2010.

Income tax at source of payment is calculated and withheld income when straightening for payment of taxable income determined as the difference between the income earned by the employee as wages and the amount of tax exemption and deductions.

Taxable income = calculated salary- deductions - exemptions.

According to the art. 33 (1) of the Tax Code, every taxpayer is entitled in 2014 to a personal exemption of 9516 lei per year. The personal exemption per month is 793 lei (9516: 12 months = 793 lei).

The taxpayer is entitled to an exemption in 2014 amounted to 2124 lei annually for each person maintained, except invalids from childhood for which exemption is 9516 lei per year (art. 35 (1) of the Tax Code). The monthly exemption for each maintained person is 177 lei (2124: 12 months = 177 lei).

The calculation of salary is performed separately for each employee in personal transcript of records of income as salary and other payments made by the employer for the benefit of the worker.

**Table 1 - Personal transcript of record avenue Director – assistant**

| The calculated salary (lei) |                              |                            |                  | Retentions from salary(lei) |        |            |                  | Total retained | Salary to pay (lei) |
|-----------------------------|------------------------------|----------------------------|------------------|-----------------------------|--------|------------|------------------|----------------|---------------------|
| Monthly salary              | The bonus for seniority, 30% | Qualification grade I, 40% | Total calculated | ISIC 6%                     | MIP 4% | Income tax | Trade union dues |                |                     |
| 2600                        | 780                          | 1040                       | 4420             | 265,2                       | 176,8  | 286,13     | 44,20            | 772,33         | 3647,67             |

*Source: Synthesized by the author based on manual accounting in public institution. Author NaniMihail, Chisinau, 2013.*

**Table 2 - Personal transcript of record avenue Instructor Methodis**

| The calculated salary (lei) |                              |                            |                  | Retentions from salary(lei) |        |            |                  | Total retained | Salary to pay (lei) |
|-----------------------------|------------------------------|----------------------------|------------------|-----------------------------|--------|------------|------------------|----------------|---------------------|
| Monthly salary              | The bonus for seniority, 30% | Qualification grade I, 40% | Total calculated | ISIC 6%                     | MIP 4% | Income tax | Trade union dues |                |                     |
| 2400                        | 600                          | 720                        | 3720             | 223,2                       | 148,8  | 229,73     | 37,20            | 638,93         | 3081,07             |

*Source: Synthesized by the author based on manual accounting in public institution. Author NaniMihail, Chisinau, 2013.*

**Table 3- Personal transcript of record avenue Doctor, cat. I**

| The calculated salary (lei) |                              |                  | Retentions from salary(lei) |        |            |                  | Total retained | Salary to pay (lei) |
|-----------------------------|------------------------------|------------------|-----------------------------|--------|------------|------------------|----------------|---------------------|
| Monthly salary              | The bonus for seniority, 20% | Total calculated | ISIC 6%                     | MIP 4% | Income tax | Trade union dues |                |                     |
| 1170                        | 234                          | 1404             | 84,24                       | 56,16  | 32,94      | 14,04            | 187,38         | 1216,62             |

*Source: Synthesized by the author based on manual accounting in public institution. Author Nani Mihail, Chisinau, 2013.*

**Table 4- Personal transcript of record avenue Typist, cat. II**

| The calculated salary (lei) |                              |                  | Retentions from salary(lei) |        |            |                  | Total retained | Salary to pay (lei) |
|-----------------------------|------------------------------|------------------|-----------------------------|--------|------------|------------------|----------------|---------------------|
| Monthly salary              | The bonus for seniority, 10% | Total calculated | ISIC 6%                     | MIP 4% | Income tax | Trade union dues |                |                     |
| 920                         | 92                           | 1012             | 60,72                       | 40,48  | 8,25       | 10,12            | 119,57         | 892,43              |

*Source: Synthesized by the author based on manual accounting in public institution. Author Nani Mihail, Chisinau, 2013*

Based on data from personal files record information related payroll income, deductions from wages, salaries are centralized in the schedule for payment of salary payment.

**Table 5-The list of payment of wages**

| N<br>rc<br>rt | Empl<br>oyee | Fu<br>nct<br>ion<br>Sal<br>ary | The<br>bonu<br>s for<br>senio<br>rity | Quali<br>ficatio<br>n<br>grade | Total<br>calcul<br>ated | Allowance<br>s for<br>temporary<br>incapacity |            | Retentions<br>salary(lei) |                   |                   |                                    | Total<br>retain<br>ed | Sala<br>ry to<br>pay<br>(lei) | SIC<br>23% | MI<br>P<br>4% |
|---------------|--------------|--------------------------------|---------------------------------------|--------------------------------|-------------------------|---|------------|---------------------------|-------------------|-------------------|------------------------------------|-----------------------|-------------------------------|------------|---------------|
|               |              |                                |                                       |                                |                         |   |            | ISI<br>C<br>6%            | MI<br>P<br>4<br>% | Inc<br>ome<br>tax | Tra<br>de<br>uni<br>on<br>due<br>s |                       |                               |            |               |
| 1.            | Empl<br>oyee | 26<br>00                       | 780                                   | 1040                           | 4420                    |   |            | 265,<br>2                 | 17<br>6,8         | 286,<br>13        | 44,2<br>0                          | 772,<br>33            | 364<br>7,67                   | X          | X             |
| 2.            | Empl<br>oyee | 24<br>00                       | 600                                   | 720                            | 3720                    |   |            | 223,<br>2                 | 14<br>8,8         | 229,<br>73        | 37,2<br>0                          | 638,<br>93            | 308<br>1,07                   | X          | X             |
| 3.            | Empl<br>oyee | 56<br>7,2<br>7                 | 85,0<br>9                             | -                              | 652,3<br>6              | 173,<br>61                                    | 243,<br>06 | 39,1<br>4                 | 26,<br>09         | -                 | 6,52                               | 71,7<br>5             | 997,<br>28                    | X          | X             |
| 4.            | Empl<br>oyee | 11<br>70                       | 234                                   | -                              | 1404                    |   |            | 84,2<br>4                 | 56,<br>16         | 32,9<br>4         | 14,0<br>4                          | 187,<br>35            | 121<br>6,62                   | X          | X             |
| 5.            | Empl<br>oyee | 92<br>0                        | 92                                    | -                              | 1012                    |   |            | 60,7<br>2                 | 40,<br>48         | 8,25              | 10,1<br>2                          | 119,<br>57            | 892,<br>43                    | X          | X             |
|               | Total        | 76<br>57,<br>27                | 1791<br>,09                           | 1760                           | 11208<br>,36            | 173,<br>61                                    | 243,<br>06 | 672,<br>5                 | 44<br>8,3<br>3    | 557,<br>05        | 112,<br>08                         | 1789<br>,96           | 983<br>5,07                   |            |               |

Totals determined salary payment slip serve as a basis for accounting transactions relating to salary and salary deductions calculated in accounting note 5 - cumulative slip on wages and scholarships.

**Table 6- Accounting note no.5, For march,2014**

| No.          | The content of operations   | Debit   | Credit | Sum      |
|--------------|---|---------|--------|----------|
| 1.           | Salary calculation  | 200/111 | 180    | 11208,36 |
| 2.           | State social insurance calculation, 23%   | 200/112 | 198    | 2577,92  |
| 3.           | Calculation of compensation for temporary incapacity: a) due SSIG<br>b) the means of employer | 198     | 180    | 243,06   |
|              |   | 200/135 | 189    | 173,61   |
| 4.           | Calculation MIP, 4%   | 200/116 | 199    | 448,33   |
| 5.           | Withholding tax on income from wages  | 180     | 173    | 557,05   |
| 6.           | Withholding ISIC, 6%  | 180     | 188    | 672,50   |
| 7.           | Withholding MIP, 4%   | 180     | 159    | 448,33   |
| 8.           | Withholding of trade union dues from wages  | 180     | 185    | 112,08   |
| 9.           | Withholding salary for deposit into a bank account to pay by card                             | 180     | 183    | 9661,46  |
|              |   | 189     | 183    | 173,61   |
| <b>Total</b> |   | x       | x      | 26276,31 |

**Source:** Synthesized by the author based on manual accounting in public institution. Author Nani Mihail, Chisinau, 2013.

For analytical record of the wages is intended current accounts and settlements register.

**Table 7- Current accounts and settlements register**

| Date  | nr. n/c | The content of operations                            | Debit   |  | Credit  |  | Balance |         |
|-------|---------|--|---------|--|---------|--|---------|---------|
|       |         |  |         |  |         |  | debit   | credit  |
| 1     | 2       | 3  | 4       |  | 5       |  | 6       | 7       |
|       |         | <b>Account 159</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | Withholding of MIP from salary                       |         |  | 448,33  |  |         | 448,33  |
| 10.04 | 2       | Transfer of MIP to the HIF                           | 448,33  |  |         |  |         |         |
|       |         | <b>Account 170</b>                                   |         |  |         |  |         |         |
| 12.04 | 1       | Lack imputed cashier                                 | 110     |  |         |  | 110     |         |
| 13.04 | 1       | Restoring cash                                       |         |  | 110     |  |         |         |
| 12.04 | -       | Lack of Fixed Assets                                 | 9005    |  |         |  | 9005    |         |
|       |         | <b>Account 173</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | Withholding income tax                               |         |  | 557,05  |  |         | 557,05  |
| 10.04 | 2       | Transfer income tax                                  | 557,05  |  |         |  |         |         |
|       |         | <b>Account 183</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | Withholding salary to pay by card                    |         |  | 9835,07 |  |         | 9835,07 |
| 12.04 | 2       | Salary card transfer                                 | 9835,07 |  |         |  |         |         |
|       |         | <b>Account 185</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | Withholding union dues                               |         |  | 112,08  |  |         | 112,08  |
| 12.04 | 2       | Transfer of union dues                               | 112,08  |  |         |  |         |         |
|       |         | <b>Account 188</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | Withholding of IIC                                   |         |  | 672,50  |  |         | 672,50  |
| 12.04 | 2       | Transfer of IIC to the SSIG                          | 672,50  |  |         |  |         |         |
|       |         | <b>Account 198</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | The calculation SIC, 23                              |         |  | 2577,92 |  |         | 2577,92 |
| 12.04 | 2       | Calculation of compensation for temporary incapacity | 243,06  |  |         |  |         | 2334,86 |
|       |         | Transfer of Sic to the SSIG                          | 2344,86 |  |         |  |         |         |
|       |         | <b>Account 199</b>                                   |         |  |         |  |         |         |
| 31.03 | 5       | Calculation of MIP                                   |         |  | 448,33  |  |         | 448,33  |
| 12.04 | 2       | Transfer of MIP to HIF                               | 448,33  |  |         |  |         |         |

**Source:** Synthesized by the author based on manual accounting in public institution. Author Nani Mihail, Chisinau, 2013.

According to art. 92 (2) of the Tax Code, public institutions presents report on the amount of income paid and income tax withheld from this territorial state tax inspectorate within one month after the end of the month in which payments have been made ( IIC - Individual Insurance Contributions; SSIG - State Social Insurance Budget; SIC - Social Insurance Contributions; MIP - Medical Insurance Premium; HIF – Health Insurance Fund; ISIC- Individual social insurance contributions).

### III. CONCLUSIONS

Although the motivation system of civil servants has been improved and the wages for some categories of civil servants has increased, it remains uncompetitive for many categories of them, the ensuring of public administration with professional, motivated, responsible staff and stable functions being very problematic.

In many public authorities the staff turnover is relatively high, including young people, who are not too willing to work in the public sector because of the unattractive salaries. These unattractive salaries in public institutions are caused by current payroll system, which is a legacy of the Soviet system of pay. Another factor influencing the current state payroll is our transition economy. Being a huge threat to the economic security of the state it does not allow the accumulation of taxes and fees at the public budget, sufficient to increase wages.

But we must bear in mind that: "Employed people are people who engage in a question and the employees come just to take their wages"

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