

AMENDMENTS TO THE SOCIAL AND HEALTH INSURANCE

effective as of 1 January 2009

In the State Gazette issue 109 dated 23 December 2008 the Law on the 2009 Budget of the State Social Security (LBSSS) and the Law on the 2009 Budget of the National Health Insurance Fund (LBNHIF) were promulgated.

The new provisions of Social Security Code (SSC) enter into force as of 1 January 2009 except § 4, item 30 and 39 (in force as of 1 April 2009) and § 4, item 40 (in force as of 1 July 2009) of the 2009 LBSPSS, which refer to the maximum amount of the received pensions, recalculation and indexing of the 2009 pensions.

In State Gazette issue 110 dated 30 December 2008, the Law on the 2009 Budget of the Republic of Bulgaria (LBRB) was promulgated. Amendment to the Health Insurance Act (HIA) is implemented by virtue of § 93 of the Final and Transitional Provisions (FTP) of LBRB and enters into force as of 1 January 2009.

The main amendments in the social and health insurance for the year 2009 are as following:

1. Increase in the minimum monthly social security income amounts

Appendix No 1 to Art.8 item 1 of the 2009 LBSSS provides for **new, higher amounts of minimum social security income sorted by economic activities and basic professional qualification groups.**

The only entirely new regulation is with regard to the football player profession. Minimum social security income at amount of BGN 700 is implemented for football players in "A" football group, and BGN 400 for football players in "B" football group.

Except the increase in minimum social security income by economic activities and basic professional qualification groups (under Appendix No1), as per the 2009 LBSSS the minimum monthly amount of social security income for other secured persons categories is increased as follows:

- **BGN 260** – for self-secured persons (compared to BGN 240 for 2008);
- **BGN 130** - for registered agriculture producers and tobacco producers (compared to BGN 120 for 2008);
- **BGN 65** - for agriculture producers and tobacco producers performing only agricultural activity (compared to BGN 60 for 2008).

The maximum monthly amount of social security income for all secured persons has not been amended and remains **BGN 2000** in 2009.

2. With the amendment to Art.6 of SSC by § 4 of FTP of LBSSS as of 1 January 2009, the social security contribution amounts for State Social Security have been implemented in SSC.

New amounts and/or proportions for allocation of the following social security contributions are defined for 2009¹:

2.1. For Fund “Pensions”:

- the contribution is at the amount of **18%** for persons born before 1 January 1960, respectively **21%** if the person works in the conditions of I or II labour category or is a person under Art.4, para 1, item 4 under SSC², or is an examining magistrate under the Judicial Authority Act.
- the contribution is at the amount of **13%** for persons born after 31 December 1959, respectively **16%** if the person works in conditions of I or II labor category or is a person under art. 4, para 1, item 4 under SSC, or is an examining magistrate under the Judicial Authority Act.

The new allocation of contributions between employers and secured persons to Fund “Pensions” is as follows:

- **10%** are on the account of the social securer and **8%** - at the account of the secured person - for persons born before 1 January 1960. When the secured person works in conditions of I or II labour category or is a person under art. 4, para 1, item 4 under SSC, or is an examining magistrate under the Judicial Authority Act, the social security contribution on the account of the social securer is **13%**;
- **7.2%** on the account of the social securer and **5.8%** - on the account of the secured person - for persons born after 31 December 1959. When the secured person works in conditions of I or II labor category or is a person under Art. 4, para 1, item 4 under SSC, or is an examining magistrate under the Judicial Authority Act, the social securer undertakes **10.2%** of the contribution.

The contribution amount for self-secured persons to Fund “Pensions” for 2009 is **18%** for persons born before 1 January 1960, respectively **13%** for persons born before 31 December 1959.

¹ The 2009 social security contributions amounts for Funds “Common Disease and Maternity” (CDM) and “Unemployment”, as well as the proportion in which they are being allocated between the social securer and the secured person, are not amended and preserved within the 2008 amounts. The same applies to the contributions for additional statutory pension security (ASPS) in professional pensions fund (PPF) and Teachers’ Pensions Fund. The contributions for Fund “Industrial Injury and Professional Disease” at the expense of the social securers and separated by basic economic activities groups, also remain within the 2008 ranges (from 0.4 to 1.1%).

² Persons under Art.4, para 1, item 4 under SSC are regular militaries under the Law on the Defence and Military Forces of the Republic of Bulgaria, public officers under the Law on the Ministry of Internal Affairs and Execution of Penalties Act, public officers under the Law on the State Agency “National Security”, and officers at the General Directorate National Service “Civil Defence” of the Ministry of Emergency Situations.

2.2. For additional statutory pension security (ASPS) contributions to Universal Pension Fund (UPF):

As of 1 January 2009 with the amendment of Art.157, para 3 of SSC, made by § 4 of the FTP of LBSSS, the allocation of **UPF** contribution is as follows: **2.8%** - on the account of the social securer and **2.2%** - on the account of the secured person.

Self-securing persons born after 31 December 1959 shall be secured in UPF by paying social security contributions at the amount of 5%, entirely on their account.

2.3. For Fund “Workers and Employees Guaranteed Receivables” (WEGR):

The contribution to WEGR, which is entirely on the employer’s account, is reduced to **0.1%** for 2009 (at 0.5% for 2008).

3. Amendments to the health insurance

With LBNHIF for 2009 the health insurance contribution for 2009 is determined at the amount of **8%**.

Art.40, para 1, item 1 of the Health Insurance Act (HIA) amended by means of § 93 of the 2009 LBNHIF preserves the implemented in 2008 proportion **60:40** of health insurance contribution allocation (**4,8% for the social securer and 3,2% for the secured persons**).

4. Amendments and supplementations to Art.6, para 8 of SSC are implemented by means of item 4, letter “d” of § 4 of the 2009 LBSSS in relation to self-secured persons, who declare incomes received for performed labour activity in previous years. They are obliged to file an adjusted reference to determine the final amount of social security income for the respective year. The adjusted reference (references) shall be filed simultaneously with the annual personal income tax return under IITA (i.e. till 30 April 2009).

5. With item 4, letter “c” of § 4 of the 2009 LBSSS and in relation to the Amendments to the Individuals` Income Taxes Act (IITA) amendments have been implemented in the range of persons under Art.6, para 4 under SSC for whom the remuneration subject to social security contributions shall be defined after deducting the activity expenses.

Persons under Art.4, para 1, item 7 of SSC **were revoked** from the range of persons under Art.6, para 4 under SSC, i.e. the assignees under management and control agreements for legal entities, sole-traders, non-personified legal entities, as well as syndics and liquidators. This is based on the 2008 Amendments to IITA, according to which the persons employed under management and control agreements no longer have recognized activity costs because of the equalization in tax treatment of management and control agreements to regular employment contracts.

6. Amendments to the statutory periods of limitation arranged in SSC

As of 1 January 2009 statutory limitation periods under SSC with regard to the receivables collected by NSSI, respectively with regard to refund of unduly paid or overpaid amounts by the social securers/secured persons, with regard to pensions receivables and any other receivables from SSS, start running as of 1 January of the year, following the year, which they refer to. All receivables under Art.115 of SSC shall have a 10-year statutory limitation period considered as of 1 January of the year, following the year they refer to, irrespectively of the limitation suspension.

7. Amendments in the amounts and procedures for determination and payment of some compensations payable by the SSS funds.

7.1 Amendments and supplementations to SSC have been made by the 2009 LBSSS with regard to the social security rights of the secured persons for common disease and maternity.

(1) Regarding the cash compensation for pregnancy and childbirth:

Art. 48a of SSC has amended the conditions at which right to pregnancy and childbirth compensation occurs. Availability of **12 months social security length of service**⁴ as person secured for this risk (common disease and maternity) is required.

According to the new wording of Art.49, para 1 of SSC the pregnancy and childbirth **daily** cash compensation is defined at the amount of **90%** of the daily average **gross** salary or daily average social security income **for which social security contributions have been paid or are due. For self-secured persons - common disease and maternity social security contributions for the 12 calendar months period, preceding the month in which the temporary working incapacity due to pregnancy and childbirth occurs.**

The amendment to Art.50, para 1 of SSC **prolongs** the pregnancy and childbirth compensation **payoff period** from **315 to 410 calendar days**, from which 45 days before the childbirth. § 22k has been created in FTP of SSC for the cases occurred so far. According to it the mothers (adoptive mothers), for whom the compensation period (315 days as per the old rules) has not expired by 1 January 2009 shall have a right to pregnancy and childbirth compensation for the remaining days until 410 calendar days. Mothers (adoptive mothers), for whom the period as per art. 50 has expired by 1 January 2009 but 410 calendar days from its start have not expired, shall have the right to pregnancy and childbirth compensation for the remaining period.

(2) Regarding the cash compensation for raising a small child:

In accordance with Art.11 of the 2009 LBSSS the cash compensation for raising a small child under Art.53, para 1 and para 2 of SSC is increased to BGN 240 monthly payment (in relation to the amendment to the minimum salary for the country).

⁴ The requirement for 12 months social security length of service refers to persons for whom the pregnancy and childbirth leave has started after 31 December 2008.

As of 1 January 2009 the compensation right is related to the existence of **12 months social security length of service** as a person secured **for this risk**.

By the means of § 3 of FTP of LBSSS, funds at the amount of the compensation for raising a small child (BGN 240) will be transferred by SSS to the budget of the Ministry of Labour and Social Policy for each actually employed person under the national program “Motherhood Support”.

7.2. The 2009 LBSSS amends and supplements SSC with regard to the cash compensation for unemployment.

Daily amount of unemployment compensation limits have been implemented with the LBSSS. Minimum daily lower limit is BGN 6 and maximum – BGN 12. The daily cash compensation for unemployment is at the amount of 60% of the average daily remuneration or average daily social security income, for which social security contributions to the Fund “Unemployment” are paid or due for the last 9 calendar months, preceding the month of social security termination, and cannot be lower than the minimum and higher than the maximum daily amount of the unemployment compensation. **The monthly compensation amount** shall be determined by multiplying the daily amount result to the number working days of the month it refers to, or to the number working days for which the compensation is due (Art.54b, para 5 of SSC).

Transitional regime has been prescribed for the cases occurred so far. § 22g created in FTP of SSC prescribes that determination of unemployment compensations and payments to persons whose legal employments were terminated before 1 January 2009 shall be made as per the previous procedures.

According to the new para 3 of Art. 54g of SSC, the cash compensation for unemployment shall be paid under new procedures – to a Bank Account declared by the persons and not through post offices.

The information set out above has the purpose only to mark specific issues related to the application of the new 2009 social security and health insurance regimes and is not exhaustive. To the present commentary we attach a Table for the allocation of the social security contributions for 2009 and the allocation of the contributions between the securers and the secured persons. In case you have questions regarding the application of the new provisions, please do not hesitate to contact us on the following tel. 02/943-37-00, fax 02/943 37 0, e-mail office@afa.bg or at: Sofia 1504, 38 Oborishte St.

**TABLE FOR ALLOCATION OF THE SOCIAL SECURITY
AND HEALTH INSURANCE CONTRIBUTIONS FOR 2009**

In Total:	III labour category		II labour category		I labour category	
	For persons born (year)	before 01/01/1960	after 31/12/1959	before 01/01/1960	after 31/12/1959	before 01/01/1960
Fund Pensions	18.000%	13.000%	21.000%	16.000%	21.000%	16.000%
Fund CDM	3.500%	3.500%	3.500%	3.500%	3.500%	3.500%
Fund IIPS (average)	0.60%	0.60%	0.600%	0.600%	0.600%	0.600%
Fund Unemployment	1.000%	1.000%	1.000%	1.000%	1.000%	1.000%
ASPS in UPF	0.000%	5.000%	0.000%	5.000%	0.000%	5.000%
ASPS in PPF	0.000%	0.000%	7.000%	7.000%	12.000%	12.000%
WEGR	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%
Health insurance	8.000%	8.000%	8.000%	8.000%	8.000%	8.000%
Total:	31.200%	31.200%	41.200%	41.200%	46.200%	46.200%
For the employer:						
Fund Pensions	10.000%	7.200%	13.000%	10.200%	13.000%	10.200%
Fund CDM	2.100%	2.100%	2.100%	2.100%	2.100%	2.100%
Fund IIPS (average)	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
Fund Unemployment	0.600%	0.600%	0.600%	0.600%	0.600%	0.600%
ASPS in UPF	0.000%	2.800%	0.000%	2.800%	0.000%	2.800%
ASPS in PPF	0.000%	0.000%	7.000%	7.000%	12.000%	12.000%
WEGR	0.100%	0.100%	0.100%	0.100%	0.100%	0.100%
Health insurance	4.800%	4.800%	4.800%	4.800%	4.800%	4.800%
Total:	18.200%	18.200%	28.200%	28.200%	33.200%	33.200%
For the employee:						
Fund Pensions	8.000%	5.800%	8.000%	5.800%	8.000%	5.800%
Fund CDM	1.400%	1.400%	1.400%	1.400%	1.400%	1.400%
Fund Unemployment	0.400%	0.400%	0.400%	0.400%	0.400%	0.400%
ASPS in UPF	0.00%	2.20%	0.00%	2.20%	0.00%	2.20%
Health insurance	3.200%	3.200%	3.200%	3.200%	3.200%	3.200%
Total:	13.000%	13.000%	13.000%	13.000%	13.000%	13.000%

Notes:

1. Social security contributions for 2009 are allocated in proportions: employer 60%, employee 40%.
2. For Fund "Pensions" and UPF the contribution allocation for 2009 is given directly in percentage, and not in proportions securer/secured person 60:40; for the rest of the funds, and also with regard to the health insurance contribution, the allocation remains in proportion 60:40.
3. The contribution for Fund "Industrial Injury and Professional Disease" (IIPS) is defined by basic economic activities in accordance to EAC - 2008, and the range is from 0.4% to 1.1%. The average percentage is 0.6.
4. Maximum social security income - BGN 2000.
5. Maximum social security threshold has not been amended for 2009.
6. Minimum social security income - BGN 260 (for self-secured persons).

