

**AMENDMENTS TO THE SOCIAL SECURITY AND HEALTH  
INSURANCE LEGISLATION**  
in force as of 1 January 2010

In State Gazette (SG) issue 99 of 15 December 2009, there have been published the 2010 State Budget Act of the Republic of Bulgaria (SBARB), the 2010 State Social Security Budget Act (SSSBA) and the 2010 National Health Insurance Fund Budget Act (NHIFBA). Changes in the Social Security Code (SSC) and in the Health Insurance Act (HIA) have been effected by means of the Transitional and Final Provisions (TFP) of the above mentioned acts. Amendments to HIA have been adopted additionally by the Law on Amendment and Supplementation to HIA (LASHIA) published in SG issue 101 of 18 December 2009.

This letter sets out only the changes with regard to determining the liabilities for social security and health insurance contributions and the deadlines for settlement thereof. These changes have entered into force as from 1 January 2010.

### **1. Amounts of income for statutory social security purposes**

Appendix № 1 to Art. 8, i. 1 of SSSBA for 2010 for determining the minimum income for statutory social security purposes (MinISSSP) by business activities and profession classification groups stipulates **higher amounts of MinISSSP compared to 2009 for all activities, except for the activities of production of basic metals, casting, production of metal articles, machines and equipment, vehicles** (codes from 24 to 30 inclusive as per the National Classification of Business Activities (NCBA)) **and of construction of buildings, installations and other, excluding construction of transmission and distribution electric and long-distance communication lines** (codes from 41 to 43 inclusive as per NCBA excluding 42.22).

SSSBA for 2010 stipulates a higher amount of **the minimum monthly income for statutory social security purposes of the self-insuring individuals**. It is increased to **BGN 420** (compared to BGN 260 for 2009). The registered agricultural producers and tobacco producers are obliged to pay statutory social security and health insurance contributions on not less than **BGN 240** per month of 2010 (compared to BGN 130 for 2009).

**The maximum monthly amount of income for statutory social security purposes** of all insured persons has not been adjusted and **it remains BGN 2,000** for 2010.

### **2. Amounts and rules for calculation of the statutory social security contributions**

By § 6, i. 4 of TFP of SSSBA, it has been amended the provision of Art. 6 SSC stipulating the rates and rules for calculation of the social security contributions, including their allocation between employers/contracting entities and employees/contractors (see also the table in the end of this letter). In this connection, the following may be summarised:

## 2.1. The contribution to the Pension Fund has been reduced by the total of 2% and new rates of allocation thereof between employers/contracting entities and employees/contractors have been stipulated

The following rates of the contribution to the Pension Fund of the State Social Security have been defined for 2010:

- **16%** (compared to 18% for 2009) for individuals born before 1 January 1960, correspondingly **19%** (vs. 21 % for 2009) in case the individual works under conditions of I or II labour category or if he/she is a person under Art. 4, para 1, i. 4 of SSC<sup>1</sup>, or an investigator under the Judiciary Act;
- **11%** (compared to 13% for 2009) for individuals born after 31 December 1959, correspondingly **14%** (vs. 16% for 2009) in case the individual works under conditions of I or II labour category or if he/she is a person under Art. 4, para 1, i. 4 of SSC, or an investigator under the Judiciary Act.

**The new allocation** between employers/contracting entities and employees/contractors of the contribution to the Pension Fund is as follows:

- **8.9%** at expense of the employer/contracting entity and **7.1%** at expense of the employee/contractor – for individuals born before 1 January 1960. In case the individual works under conditions of I or II labour category or if he/she is a person under Art. 4, para 1, i. 4 of SSC, or an investigator under the Judiciary Act, the contribution at expense of the employer is **11.9%**;
- **6.1%** at expense of the employer/contracting entity and **4.9%** at expense of the employee/contractor – for individuals born after 31 December 1959. In case the individual works under conditions of I or II labour category or if he/she is a person under Art. 4, para 1, i. 4 of SSC, or an investigator under the Judiciary Act, the contribution at expense of the employer is **9.1%**.

**For self-insuring individuals**, the 2010 contribution to the Pension Fund is **16%** (vs. 18% for 2009) for those born before 1 January 1960, correspondingly **11%** (vs. 13% for 2009) for individuals born after 31 December 1959.

## 2.2. Contributions to the rest funds of the State Social Security, for additional statutory pension security and the Employees' and Workers' Receivables Guarantee Fund (EWRGF)

The 2010 rates of the contributions to the General Sickness and Maternity Fund (GSMF), Unemployment and additional statutory pension security (ASPS) in a Universal Pension Fund (for individuals born after 31 December 1959), as well as proportion of their allocation between employers and employees have not been changed and remain the same as for 2009. This is valid also

<sup>1</sup> The persons under Art. 4, para 1, i. 4 SSC are the personnel military officers under the Act on Defense and Armed Forces of the Republic of Bulgaria, the state servants under the Act on the Ministry of Home Affairs and the Punishments Execution Act, the state servants under the National Security State Agency Act and the employees at the Directorate General of the National Civil Protection Service with the Ministry of Emergency Situations.

for the contributions to ASPs in a Professional Pension Fund and the Teachers' Pension Fund. The contribution to EWRGF is also unchanged (0.1%).

As from 1 January 2010, the contributions to EWRGF and to the Teachers' Pension Fund shall be paid through the National Revenue Agency (NRA) accounts for the State Social Security funds and shall be transferred on a regular basis to the relevant accounts with BNB, while the so far effective separate accounts of NRA for these contributions shall be closed.

The contributions to the Labour Accident and Professional Sickness Fund (LAPSF), which are at expense of employers and are differentiated by groups of major business activities, remain within the ranges from 0.4% to 1.1%. Changes have been effected in Appendix № 2 to Art. 13 of SSSBA for 2010, representing predominantly a decrease in the LAPSF rates. For instance:

- from 1.1% to 0.9% - for forestry, construction of buildings, installations, specialised construction works, water transport;
- from 0.9% to 0.7% - for production of paper, cardboard, articles of paper and hardboard, activities of water collection, purification and supply;
- from 0.7% to 0.5% - for manufacturing tobacco products, electric equipment, for wholesale excluding trade in automobiles and motorbikes, for transactions in real estate, for government management;
- from 0.5% to 0.4% - for auxiliary activities in financial services and insurance, radio and television operations, artistic and creative work, etc.

The contribution has been increased for the following activities only:

- air transport – from 0.5% to 0.7%;
- fur processing, production of shoes and other leather articles – from 0.4% to 0.5%;
- renting out and operating lease – from 0.4% to 0.7%.

### **2.3. A new rule regarding the income for statutory social security purposes of individuals insured under employment relations, management and control agreements, other**

**It is significant the supplementation of Art. 6, para 3 SSC**, according to which statutory social security contributions for workers and employees, as well as for assignees under management and control agreements under Art. 4, para 1, i. 7 SSC, for individuals on elective positions and the other insured individuals within the scope of Art. 4, para 1, i.8 SSC, **shall be due as from 1 January 2010** not only on accrued and unpaid gross monthly remuneration but **also on non-accrued remuneration**. In other words, if the employer/assignor/contracting entity has not observed the requirements of accounting legislation and has not booked expenses on remuneration and statutory social security and health insurance contributions, although grounds for accruing such have been present (i.e. labour has been rendered for the relevant month against an obligation for payment of remuneration), this circumstance (wrongful act by the employer/assignor/contracting entity) is irrelevant for the purposes of the statutory social security legislation – the employer/assignor/contracting entity owes contributions and the rights of the insured persons are not infringed.

The above mentioned provision has been further **supplemented by the rule that if a minimum income for statutory social security purposes has not been determined for a particular category of individuals, statutory social security contributions shall be paid for the latter on not less than the minimum monthly salary for the country.**

In connection with the supplementations to Art. 6, para 3 SSC, relevant changes have been effected also in the provisions regarding the rules for payment of social security contributions and acknowledgement of length of service for statutory social security purposes. The deadline for payment of social security contributions due on non-accrued remuneration is the end of the month following the one, during which labour has been rendered (Art. 7, para 3 SSC).

#### **2.4. Final amount of the income for statutory social security purposes of self-insuring individuals**

By the supplementation of para 8 of Art. 6, it is stipulated expressly that the annual income for statutory social security purposes of self-insuring individuals shall be either the declared taxable income under the Individuals' Income Taxes Act (IITA), or the taxable income determined according to an effective tax audit deed under the Tax and Social Security Procedure Code (TSSPC). An obligation to submit a report on the adjusted income for statutory social security purposes for a particular year shall arise also in case other taxable income than the one declared by the self-insuring individual has been determined in an effective tax audit deed under TSSPC. So far, SSC did not provide for such a requirement.

### **3. Amount and rules for calculation of the statutory health insurance contribution**

According to NHIFBA, the health insurance contribution for 2010 is at the rate of **8%**, i.e. there is no change compared to 2009(see also the table in the end of this letter).

By the amendment effected with § 77 of SBARB for 2010 to Art. 40, para 1, i. 1 HIA, it has been preserved the 2008 and 2009 allocation of the health insurance contribution at **60 : 40 (4.8% for employers/assignors/contracting entities and 3.2% for health insured individuals receiving income from employment relations, government service or relations originated under special laws, assignees under agreements for management and control of commercial companies, individuals under Art. 4, para 1, i. 8 SSC and members of cooperative societies receiving remuneration from the relevant cooperative society).**

The provision of Art. 40 HIA has been additionally amended by § 27 LASHIA published in SG issue 101 of 18 December 2009. It is expressly stipulated that the income for statutory health insurance purposes of insured individuals under Art. 40, para 1 and para 2 SSC (including individuals working under employment contracts and/or management and control agreements) shall be the income determined in accordance with SSC whereon statutory social security contributions are payable. Consequently, taking into consideration the amendment to Art. 6, para 3 SSC, as from 1 January 2010 (see i. 2.3. above), statutory health insurance contributions shall be due not only on accrued and

unpaid gross monthly remuneration but **also on non-accrued remuneration** (if it has had to be accrued).

#### **4. A new category of insured individuals**

New i. 5a has been created in § 1, para 1 of the Additional Provisions of SSC, whereby the term “mariner” is defined. The same definition is used also for the HIA purposes according to § 1, new i. 23 of the Additional Provisions of the act, which refers to the said provision of the code. The definition coincides completely also with the definition of “mariner” in IITA, namely: “an individual hired under an employment relation as a member of the crew of a maritime ship recorded in the register of ships of a EU members state, regardless of whether on land or on board the ship, holding a certificate of qualification and a certificate of additional and/or special training acquired following the procedure under the ordinance referred to in Art. 87, para 1 of the Commercial Sailing Code”.

The statutory social security and health insurance of mariners is provided for by the new Art. 4a SSC and i. 2a of Art. 40, para 1 HIA. According to these provisions, mariners shall pay:

- fully at their expense, statutory health insurance contributions and statutory social security contributions for the risks: general sickness and maternity, disability due to general sickness, old age, death, labour accident and professional sickness, and optionally – for unemployment;
- on a chosen monthly income amount between the minimum and the maximum income for statutory social security purposes of self-insuring individuals (i.e. between BGN 420 and BGN 2000 for 2010).

#### **5. Deadlines for submission of documents to the National Social Security Institute (NSSI) for payment of a compensation for temporary disability or change of employment position due to medical reasons**

New Art. 40a SSC has been created by § 6, i. 13 of TFP of SSSBA, which stipulates expressly the deadlines that employers and self-insuring persons shall meet when submitting documents to the relevant territorial office of NSSI for the purpose of payment of a compensation for temporary disability or change of employment position due to medical reasons, namely:

- employers, other entities/persons obliged to statutory social security contributions at own expense, their branches and divisions shall submit documents on a calendar month basis, not later than two business days following the day of payment of due remuneration or a part thereof, and in case remuneration have been accrued but not paid or have not been accrued – not later than two business days after the last day of the month following the one, in which labour has been rendered;
- self-insuring individuals shall submit the documents not later than 11 days after payment of the advance social security contributions due for the relevant month.

## 6. Administrative and penal provisions

As from 1 January 2010, the amounts of penalties and fines for failure to observe the provisions of Part One “State Social Security” of SSC and of the legal documents on its implementation have been increased twice (to range between BGN 100 and BGN 2000). A new penalty has been stipulated for employers/assignors/contracting entities that fail to submit in time to the relevant territorial office of NSSI documents for payment of compensations for temporary disability, change of employment position due to medical reasons or maternity, or submit such documents with inaccurately completed data. Unless subject to a graver penalty, such employers/assignors/contracting entities are subject to a penalty or fine at an amount from BGN 500 to BGN 2000, and the guilty persons in charge – to a fine from BGN 100 to BGN 1000 for each individual case.

The increase of penalties under HIA is at least fourfold. For instance, in the event of a failure to submit or if incorrect information under HIA is submitted, legal entities may be imposed on a penalty from BGN 2000 to BGN 4000, or BGN 8000 in case of a repeated violation (Art. 103 HIA). The fine, or penalty correspondingly, for failure by persons in charge or employers to pay statutory health insurance contributions is respectively from BGN 2000 to BGN 4000 and from BGN 4000 to BGN 8000, and in case of a repeated violation – from BGN 4000 to BGN 8000 and from BGN 10000 to BGN 15000 (Art. 104 HIA).

*The information herein is intended just to summarise the changes in force as from 1 January 2010 regarding statutory social security and health insurance contributions under Bulgarian law. In case you have questions regarding the application of the new provisions, please do not hesitate to contact us at tel. 02/943-37-00, fax 02/943 37 0, e-mail office@afa.bg or at: Sofia 1504, 38 Oborishte St.*

**Table of the 2010 rates of the statutory social security and health insurance contributions  
and their allocation**

Total	III labour category		II labour category		I labour category	
	before 1-Jan-1960	after 31-Dec-1959	before 1-Jan-1960	after 31-Dec-1959	before 1-Jan-1960	after 31-Dec-1959
For individuals born (year)						
Pension Fund	16.0%	11.0%	19.0%	14.0%	19.0%	14.0%
General Sickness and Maternity Fund	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
LAPS Fund ( <i>average</i> )	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Unemployment Fund	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
ASPS in UPF	0.0%	5.0%	0.0%	5.0%	0.0%	5.0%
ASPS in PPF	0.0%	0.0%	7.0%	7.0%	12.0%	12.0%
EWRGF	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Health Insurance	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
<b>Total:</b>	<b>29.3%</b>	<b>29.3%</b>	<b>39.3%</b>	<b>39.3%</b>	<b>44.3%</b>	<b>44.3%</b>
<b>For the Employer</b>						
Pension Fund	8.9%	6.1%	11.9%	9.1%	11.9%	9.1%
General Sickness and Maternity Fund	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
LAPS Fund ( <i>average</i> )	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Unemployment Fund	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
ASPS in UPF	0.0%	2.8%	0.0%	2.8%	0.0%	2.8%
ASPS in PPF	0.0%	0.0%	7.0%	7.0%	12.0%	12.0%
EWRGF	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Health Insurance	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
<b>Total:</b>	<b>17.2%</b>	<b>17.2%</b>	<b>27.2%</b>	<b>27.2%</b>	<b>32.2%</b>	<b>32.2%</b>
<b>For the Employee</b>						
Pension Fund	7.1%	4.9%	7.1%	4.9%	7.1%	4.9%
General Sickness and Maternity Fund	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
LAPS Fund ( <i>average</i> )	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Unemployment Fund	0.0%	2.2%	0.0%	2.2%	0.0%	2.2%
ASPS in UPF	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
ASPS in PPF	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>
EWRGF	0.0%	2.2%	0.0%	2.2%	0.0%	2.2%
Health Insurance	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
<b>Total:</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>	<b>12.1%</b>