

## **C**hanges in the statutory social security and health insurance legislation, effective from 1 January 2004

We would like to draw your attention hereby to some of the changes in the social security and health insurance legislation, effective as from 1 January 2004, which are to be considered in view of day-to-day activities:

### **1. Changes concerning the statutory social security**

In State Gazette issue 112 of 23 December 2003, it was published the Law on the Budget of the State Social Security for year 2004 (LBSSS). By virtue of that law, there were approved the statutory social security contribution rates and thresholds of income for social security purposes for 2004, and some amendments were passed in the Social Security Code (SSC), which we will brief below.

#### **1.1. Amount of income for social security purposes:**

The maximum monthly amount of income for social security purposes (referred to as 'SS income' below) was increased from BGN 1,000 for 2003 up to BGN 1,200 for 2004.

The minimum 2004 monthly amount of SS income for self-securing persons is the same as for 2003 BGN 200.

A new table appendix was adopted to Art. 8, i. 1 of LBSSS on minimum monthly SS income by main business activity and profession group for the individuals socially secured by virtue of Art. 4, para 1, i. 1 SSC (i.e. individuals hired under employment relation for over of 5 work days or 40 hours per calendar month), Art. 4, para 1, i. 7 SSC (assignees under agreements for management and supervision of commercial companies) and new i. 8 of Art. 4, para 1 SSC (individuals appointed on electoral positions except under relations covered by the preceding two groups under i. 1 and i. 7 of Art. 4, para 1 SSC). Differences are present between the tables for 2004 and 2003 (new business activities have been added and changes have been effected in the numbering and definition of particular business activities).

#### **1.2. Social security contribution rates:**

Generally, the social security contribution rates by categories of secured persons, the rules and ratio of allocation of the contributions between the securer and secured individuals, have not changed for 2004 compared to 2003. **It was changed the rate of the contribution for supplementary statutory pension security (SSPS) in a universal pension fund (UPF) for the individuals born after 31 December 1959.** That contribution was increased from 2% for 2003 to **3% for 2004**. Correspondingly, the rate of the contribution to **the Pension Fund** of the State Social Security (SSS) for that group of individuals decreased to **26% for 2004** (and 29% for the individuals working under the conditions of I and II labour category), **so that the total rate of statutory**

**pension security contributions remained the same** compared to the previous year 29% (32%).

Please find below a comparative table for the rates of statutory social security contributions for 2004 and 2003, applicable for individuals working under conditions of III labour category and secured for all secured social risks, including allocation of the rates among the funds of the State Social Security and between the secured person and the securer:

<b>Social security rates – III labour category</b>				
<b>Funds</b>	<b>Year 2004</b>		<b>Year 2003</b>	
	At account of the secured individual	At account of the securer	At account of the secured individual	At account of the securer
<i>For the individuals born before 1 January 1960:</i>				
Pension Fund	7.25%	21.75%	7.25%	21.75%
<i>For the individuals born after 31 December 1959:</i>				
Pension Fund	6.50%	19.50%	6.75%	20.25%
SSPS in UPF	0.75%	2.25%	0.50%	1.50%
Common Illness and Maternity Fund	0.75%	2.25%	0.75%	2.25%
Labour Accident and Professional Illness Fund	-	0.70%	-	0.70%
Unemployment Fund	1.00%	3.0%	1.0%	3.0%
<b>Total</b>	<b>9.00%</b>	<b>27.7%</b>	<b>9.00%</b>	<b>27.7%</b>

**A change compared to 2003** is that the LBSSS for 2004 provides that, for the individuals secured for disability due to common illness, aging and death, and for labour accident and professional illness, by virtue of Art. 4, para 2 (**i.e. employees hired by one or more employers for not more than 5 work days or 40 hours per calendar month**), **the social security contribution rate shall be determined according to the labour category** (Art. 11, i. 2 LBSSS), where the contribution to the Pension Fund and the contribution for SSPS in UPF are subject to allocation at the ratio of 75:25, at account of employers and secured individuals respectively, while the contributions to the Labour Accident and Professional Illness Fund and for SSPS in a professional pension fund are fully at account of the employers.

**The statutory social security contributions due for the periods of temporary disability or pregnancy and birth** are at the rates of 21.75% for individuals born before

1 January 1960, and 19.5% for individuals born after 31 December 1959 (Art. 12, para 11 LBSSS). The contributions shall be made to the Pension Fund and are due fully by the securer or self-secured person. Contributions for supplementary statutory pension security are not due in these cases. We would like to remind that according to § 87 of the Transitional and Conclusive Provisions of SSC, contributions to the Pension Fund of the State Social Security **on the compensation** for the periods of temporary disability or pregnancy and birth, which are recognised for pension right purposes, will be payable **by 31 December 2004**.

Statutory social security contributions on **social benefits** shall be paid at the amounts due to the Pension Fund of the State Social Security, dependent on the labour category (Art. 12, para 9 LBSSS) and for SSPS in a universal and/or professional pension fund.

**1.3. With effect as from 1 January 2004**, it has been amended Art. 40, para 4 SSC, wherewith **the compensation for temporary disability only for the first working day** (but not for the first three working days, as it was until 31 December 2003) **of the disability shall be at account of the securer**, where the total of such days compensated at account of the securer shall not exceed 15 during a calendar year.

**1.4. An additional requirement for length of social security has been introduced as a condition for receiving: compensation for pregnancy and birth (new Art. 48a SSC); compensation for raising a little child (new Art. 52a SSC); and compensation for not using the additional paid leave for raising a little child (amended Art. 54, para 1 SSC).** The condition is for the (prospective) mother to have time of at least 6 months as individual secured for all secured social risks, or for all secured social risks without labour accident and professional illness, or for all secured social risks without unemployment, **where 3 months of the 6 months shall be within a period of the 12 calendar months preceding the month from which the respective leave** (for pregnancy and birth or for raising a little child) **has started, or respectively**, the mother is required to has had the right to compensation for raising a little child, in order to have the right to compensation for unused additional paid leave for raising a little child (i.e. if the mother had returned to work before the child become 2 years old).

**In State Gazette issue 21 of 16 March 2004, it was published a Law on Supplementation of LBSSS for 2004, which provides for the above mentioned new provisions of SSC (new Art. 48a SSC and new Art. 52a SSC) to come into force as from 1 July 2004** (but not as initially provided, from 1 January 2004).

**1.5. As from 1 January 2004 there becomes effective the amendment of Art. 113 SSC** (State Gazette, issue 67 of 29 July 2003), wherewith **the penalty interest** on overdue liabilities for statutory social security contributions **has been increased by 10 points**. As from the beginning of 2004 the penalty interest is at the rate of **the base interest rate** quoted by the Bulgarian National Bank for the respective period **plus 20 points**.

**1.6.** A new group of secured persons has been introduced, namely persons performing work and receiving income as appointed on electoral positions (Art. 4, para 1, s. 8 SSC), wherefore

the social security specifics have been detailed with the amendments to the Ordinance on the Elements of Remuneration and for the Income Whereon Social Security Contributions Shall be Made, and for Calculation of Compensations for Temporary Disability or for Pregnancy and Birth (Decree No 53 of the Council of Ministers of 5 March 2004, published in State Gazette issue 21 of 16 March 2004).

## 2. Statutory health insurance contributions

In State Gazette, issue 114 of 30 December 2003, a Law on the Budget of the National Health Insurance Fund for year 2004 was published. By virtue of the law, **the rate of the statutory health insurance contribution for 2004** has been adopted, which is unchanged compared to the previous year **6%**.

In State Gazette, issue 114 of 30 December 2003, a Law on Amendment and Supplementation of the Law on Health Insurance (LHI) was published. The Transitional and Conclusive Provisions of LHI were supplemented with § 19a, effective as from 1 January 2004, providing for the possibility for deferral by the end of 2004 of payables for over three statutory health insurance contributions (totalling above BGN 50) and referring to the period until 31 December 2003, at interest of 1% for the time of deferral on the outstanding amount. The main advantage of that possibility is that the persons, whom to deferral of payables is allowed, shall preserve their rights of health insured individuals.

The comments set out above represent an overview of some amendments and supplementations to the social security and health insurance legislation, and are not exhaustive. Should issues arise regarding the application of the new provisions, please do not hesitate to contact us at tel.: 943 37 00, fax 943 37 07, e-mail: office@afa.bg, or postal address at 38, Oborishte Street, Sofia 1504.