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CHANGES TO THE SOCIAL SECURITY TAXATION AND LEGISLATION (IN FORCE AS OF 1 JANUARY 2013)

Certain amendments to the Social Security Code and the Acts on the Budget of the state social security system and the National Health Insurance Fund were promulgated in State Gazettes No. 94/30.11.2012, No. 99/14.12.2012 and No. 101/18.12.2012. The amendments shall come into force on 01.01.2013.

Some of the most important changes in the social security taxation and legislation are summarized below.

1. Social and Health Insurance Contributions in 2013

In 2013 the social security and health insurance contributions rates will remain unchanged. The rates are summarized in the tables below:

Persons born before 1.01.1960 - IIIrd category labour - insured for all insurable social risks - 2013			
	general rates	at the insurer's expense (60%)	at the insured person's expense (40%)
"Pensions" fund*	17.8	9.9	7.9
"General sickness and maternity" fund**	3.5	2.1	1.4
"Unemployment" fund	1	0.6	0.4
"Labour accident and occupational disease" fund***	0.4	0.4	
"Workers and employees' guaranteed claims" fund	0	0	
Health insurance	8	4.8	3.2
	30.7	17.8	12.9

Persons born after 31.12.1959 - IIIrd category labour - insured for all insurable social risks - 2013			
	general rates (%)	at employer's expense (60%)	at employee's expense (40%)
"Pensions" fund*	12.8	7.1	5.7
Supplementary compulsory pension insurance	5	2.8	2.2
"General sickness and maternity" fund**	3.5	2.1	1.4
"Unemployment" fund	1	0.6	0.4
"Labour accident and occupational disease" fund***	0.4	0.4	
"Workers and employees' guaranteed claims" fund****	0	0	
Health insurance	8	4.8	3.2
	30.7	17.8	12.9

* As of 01.01.2009 the state participates in the social security by means of transfers to "Pensions" fund.

** In 2013 the distribution of the "General sickness and maternity" and "Unemployment" funds contributions between the employer and the employee remains 60:40.

*** The contributions for the "Labour Accident and occupational disease" fund vary between 0.4% and 1.1% depending on the economic activity of the employer.

**** No contributions to the "Workers and employees' guaranteed claims" fund shall be due in 2013.

2. Social Security Thresholds in 2013

In 2013 the maximum income on which social security and health insurance contributions shall be payable is increased from BGN 2000 to BGN 2200.

The minimum social security thresholds for the persons employed under labour contracts and engaged in a number of business activities will also rise.

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The minimum monthly social security income for self-employed persons remains the same varying between BGN 420 and BGN 550 depending on the taxable income of the persons for 2011. Self-employed persons who did not carry out any business activity in 2011 or who started business in 2012 or 2013 would need to pay social security and health insurance contribution on a minimum monthly income of BGN 420.

3. Changes in the Social Security Legislation

(i) changes in the social security and health insurance contributions payment deadlines

As of 01.01.2013 the deadlines for payment of social security and health insurance contributions have been extended, as follows:

- As regards **employees, directors, proxies, members of the management bodies of companies** – **by 25-th** of the month following the month when the work has been carried out. If, after this deadline, the persons are paid an additional piece of income (e.g. a bonus), the social security and health insurance contributions on that additional income would be payable by the 25-th of the month following the month when the income was accrued or paid (i.e. if an employee receives a bonus for January until 25-th February, the contributions on the bonus shall be payable by 25-th February. However, if the bonus is paid after 25-th February, the contributions would be due by 25-th March).
- As regards **self-employed persons** – **by 25-th** of the month following the month for which the contributions are due.
- As regards **persons working without an employment contract** (e.g. persons hired under civil contracts) – **by 25-th** of the month following the month when the remuneration was paid.

The contributions for the state social security and the health insurance contributions would no longer be paid to separate bank accounts but would instead be payable under the so called “single payment order” using the single payment code for all public liabilities. Only the contributions for the additional mandatory pensions fund would need to be paid to a separate bank account and using a different payment code.

(ii) changes in the deadlines for submitting documents concerning payment of benefits

The deadlines for submitting documents related to the payment of various benefits (sickness benefits, maternity benefits) have been also extended.

From 2013 **the insurers** would need to submit the relevant documents in the competent regional office of the National Social Security Institute **by 15-th of the month following the month when the insured person provided those documents to the insurer** (until now the time limit was two working days following the payment of the salaries for the respective month).

The **self-employed persons**, on the other hand, need to submit the necessary documents to the National Social Security Institute **by 15-th of the month following the month when the documents for the benefit payment was issued or from which the benefit is claimed** (until now the time limit was 11 days following the payment of the social security contributions for the respective month).

(iii) permanent introduction of the employer’s obligation to pay the first three days of the sickness leave

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As of 2013 the distribution of the sickness benefits between the insurer and the State, which was initially introduced as a temporary measure, becomes permanent. Therefore, the employer would continue to pay the employee 70% of his average daily gross remuneration for the month of the sickness for the first 3 days of the sickness leave.

(iv) reduction of the default interest rate on delayed social security payments

The rate of the default interest on delayed social security contributions has been reduced and currently it has reached the same level as the default interest on tax liabilities, namely 10 points above the basic interest rate.

(v) paternity benefits for self-employed fathers

The self-employed fathers who are insured for general sickness and maternity risk would be entitled to paternity benefits for child birth for a 15-day term and to benefits for the period between the 6-month age of the child and the remainder until 410 days of the maternity leave provided they have been insured for that risk for at least 12 months.

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