



CHANGES TO THE CODE OF CONTRIBUTORY SCHEMES OF THE SOCIAL SECURITY WELFARE SYSTEM

Decree-Law 2/2018 of 9 January was published recently to make changes to the rules on the contributory scheme for self-employed workers provided for in the Code of Contributory Schemes of the Social Security Welfare System ("Contributory Code"). The aim of these changes is to achieve a better balance between the rights and duties of self-employed workers, and to ensure they have effective social protection.

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In order to achieve these objectives, changes have been made to the definition of the "contracting entity" (the company or firm that hires the self-employed worker) for the purposes of the obligation to pay social security contributions. Under the new rules, entities that benefit from more than 50% of the total value of the self-employed person's work are now considered to be the "contracting entity, whereas the percentage was previously 80%.

As a result of the changes introduced by this new Decree-Law, **as from 1 January 2018**, whenever a self-employed worker earns 50% or more of their total income from a single contracting entity, this entity must make an annual contribution to Social Security.

Therefore, the single rate of 5% that had to be paid by any contracting entity paying more than 80% of the total income of the self-employed service provider will cease to apply, and contracting entities will now be subject to the following rates:

- i) 10% if the entity pays more than 80% of the total income earned by the self-employed person.
- ii) 7% if the entity pays more than 50% of the total income earned by the self-employed person.

Other important changes to the Contributory Code will take effect **as from 1 January 2019**:

- a) Self-employed workers now become subject to Social Security as from the 12th month after beginning their activity. It is no longer also necessary for the income earned to have exceeded a six times the amount of the SSI (the Social Support Index, which is currently €428.90). Furthermore, if they wish, self-employed workers may choose to enter the Social Security system early. They no longer have to wait until 12 months have passed from their start of activity.

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- b) The declaration of the total income of the self-employed worker must be filed quarterly. This declaration must state any other income earned that is necessary to calculate the income on which the contribution obligation is calculated. The way in which the contribution obligation is determined will be established in regulatory legislation.
- c) The income of the self-employed worker that is relevant to determining the contribution obligation is now calculated by reference to the previous quarter as follows: 70% of the total value of provision of services and 20% of the income associated with the production and sale of goods;
- d) The monthly basis of assessment of the contribution of the self-employed worker is now 1/3 of the relevant income earned in each quarter, but a minimum contribution of €20.00 always applies, even in cases where there is no income. The basis of assessment of the contribution considered in each month has a maximum limit of 12 times the amount of the SSI, which totals €5146.8.;

- e) If the exemption from the contribution obligation was applied up to 31 December 2017 – regardless of the values of income from self-employment and salaried employment – from 1 January 2019, self-employed workers that do this work at the same time as doing salaried work for an employer may only be exempt from the said contribution obligation if (i) their average quarterly income is less than four times the amount of the SSI (€1715.60) and (ii) at the same time, the average monthly income considered for the social protection scheme for salaried employees exceeds 1 x SSI (€428.90). The other requirements appearing in the Contributory Code remain unchanged.

Another change made by the Contributory Code affects persons whose only income is Category B income exclusively from tenancy/ lease agreements and short-term urban letting of houses or apartments for holidays (*alojamento local*).

Finally, it is important to note that the changes described above do not take any effect, among others, against lawyers and legal executives (paralegals), who are members of their own dedicated pension schemes.

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SEBASTIÃO RESENDE

S/Título, 2001 (detail)

Fibra de vidro, resinas de polyester e areia doce
208 x 18 x 18 cm

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