



THE RIGHTS OF THE SOLE TRADER

There were over 700,000 *Sole Traders* in Portugal. Being your own boss has its advantages. However, you need to pay careful attention since the contributions and tax payments are made by you rather than by a company.

In recent years, the self-employed have gained more and more rights. Nowadays, as occurs with salaried employees, these workers have gained entitlement to protection in many situations, such as parenting, illness or unemployment. But to be eligible for these social benefits, you need to have your Social Security contributions up-to-date.

- **Maternity / Paternity Leave**

Sole Traders are entitled to a parental leave when they have children. This is an amount paid in cash to the parent at the time they are on leave for child birth, intended to replace lost employment income. It may be granted either for 120 or 150 days, depending on parent's choice.

To be entitled to this benefit, Social Security payments must be up-to-date until the end of the month preceding maternity/paternity leave. Note that if you have contributions in arrears, the grant will be suspended. The beneficiary regains the right to the grant once the contributory situation has been rectified. The amount you receive depends on the time framework that parents chose. For example, if the mother decides to stay home with the baby for 120 days, she will receive 100% of the reference pay. If she chooses 150 days, she will receive 80%.

To determine the reference wage, social security takes account all the earnings stated in the first six of the prior eight months. For example, for a mother entering maternity leave in November, she will receive grants based on her average earning in the period from March to August.



- **Allowance for clinical risk during pregnancy**

If a pregnancy is at risk, the sole trader is also entitled to a subsidy for risks during pregnancy - support in situations where there is the existence of clinical risk, for mother or for the baby. To be eligible for this grant, a medical declaration is required, indicating the time considered necessary to avoid the risk. Again, the employee needs to have payments to Social Security up-to-date. In these cases, the worker receives 100% of the reference wage. If this is too low, the law establishes a minimum of €11.18 per day.

Other support in parenting

Self-employed workers are also entitled to other forms of parental support from Social Security, such as the allowance for termination of pregnancy, the extended parental allowance, allowance for adoption and allowance for care or chronic illness. However, they do not qualify for a subsidy for child and grandchild assistance.

- **The Right to Unemployment Benefits**

The right to unemployment benefit is one of the greatest achievements that independent workers have achieved in recent years. However, you can only access this provision, known as Allowance Activity Cessation, those who are considered economically dependent on a company, that is, if 80% of the total amount of annual income derives from an entity. Apart from this condition you must be registered in the employment centre, there is involuntary termination of the contract with the company and has been working via green receipts (in the manner explained above) over 720 days (two years) in the four years before termination of collaboration with the company.

Exemption from contributions

The self-employed are required to pay contributions for social security from the moment where they constitute part of the body of an organisation. However, in certain situations, they may be exempt from paying these taxes. You may be entitled to exemption when accumulating independent activity to dependent work, when working



for others puts the sole trader into another social protection system, or if the annual income is equal to or less than €5,146.80 [12 times the IAS (€428.90)]

- **The Right to Sick Leave**

Self-employed workers are also entitled to sickness benefits. However, there are some peculiarities. The initial payment of sick pay is subject to a waiting period of 30 days. The maximum period of sick pay is one year. In the first month of illness, the self-employed have to pay the respective contributions and when they return, are also required to pay the contributions due by the number of days that will work in the month.

- **The Right to an Old-Age Pension**

Those working on green receipts may also have access to a retirement pension. You must be aged 66 years and have discounted for at least 15 years for Social Security. The amount you will receive depends on several factors, including how old you are at retirement. It should be noted that independent workers who retire early may continue to perform any activity without restrictions.

- **The Right to a Disability Pension**

In the event of permanent incapacity for work, the self-employed are also entitled to protection from disability (relative or absolute). To receive this grant, you must have contributed to Social Security for at least 5 years in the case of “relative” disability, and at least 3 years in the event of “absolute” disability.

- **The Right to Family Protection in case of Death**

On the death of the sole trader, the family may be entitled to benefits, such as funeral allowance, reimbursement of funeral expenses, orphan's pension, widows, survival or death grant. To be eligible for death benefits, there is no minimum contribution period for the deceased.