



## Social Security for Sole Traders

As happens throughout the EU, you must register with Social Security if you have not already done so previously when beginning a business activity as a *Sole Trader* in Portugal. Previously registered sole traders need not inform the Social Security office directly at the start, suspension or termination of their professional or business activity. This information is automatically communicated to the Social Security Institute (*Instituto da Segurança Social, I.P.*) by the Portuguese Tax Authorities. However, those new to the system must register.

The following points outline the procedures to be followed for registration with the Social Security Administration.

### **WHEN:**

Even though implementation may be deferred, registration takes place immediately following submission of the “*Início de Actividade*” of the business activity.

### **WHERE:**

Registration takes place at the Social Security Office in the area of residence of the *Sole Trader* (or the area of the fiscal representative if non-resident) or where the property is located.

### **HOW:**

Completion of the Identification Form. In the case of non-EU citizens, a Supplementary Identification Form (standard forms) is needed along with a Work Visa or residence permit.

### **WHY:**

Social Security is mandatory everywhere, in Portugal and throughout the European Union.



## NECESSARY DOCUMENTS:

- Identity Card, or Birth Certificate or Passport;
- Declaration of Business Activity for tax purposes (*Início de Actividade*);
- Social Security Beneficiary Card, if already registered;
- Tax identity card (“*NIF*”) for Sole Traders carrying on a commercial business activity.

## EXEMPTIONS

Payments to Social Security are calculated on 29.6% of self-employment income declared in the previous year.

Those currently contributing to Social Security regimes (including UK National Insurance) in another country or receiving Social Security benefits, such as “*old age*” or “*state*” pensions, are eligible for full exemption.

When an individual’s annual taxable self-employment income falls below the minimum (6 times the monthly minimum wage: €428.90 X 6 = €2,573.40 p.a.), the independent worker is also eligible for exemption. In the case of Local Lodging, since only 35% of the income is taxable, the taxable portion is the part subject to Social Security contributions. With this in mind, the gross threshold for exemption threshold rises to a gross income €7,352.57 when practising Local Lodging.

For Property Managers registered under *Other Service Activities*, the limit is also €7,352.57. Above these amounts, you may still be eligible for partial relief.



## **BENEFITS**

Social Security benefits are granted as a right under the State's Social Security System, and are designed to protect workers, families and persons in situations involving a lack of or reduction in the means of subsistence.

These payments are granted in situations involving family obligations, sickness, maternity, paternity and adoption, unemployment, accidents at work and occupational disease, invalidity, old age and death and also in situations of disability, dependency and social and financial hardship.

## **FAMILY ALLOWANCES**

These payments are intended to help with the running costs of maintaining a family. The persons entitled to family allowances are Portuguese and foreign nationals, refugees and stateless persons, residing in Portuguese territory or in an equivalent situation, provided they meet the general and specific conditions for the grant of those benefits.

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