

BULGARIA 2009

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Introduction

Tax-benefit policy “country chapters” are made available as part of the OECD series *Benefits and Wages*. They provide detailed descriptions of tax and benefit rules in a consistent format across countries and summarize recent policy changes.

Country chapters for other countries and years are available on the Internet at www.oecd.org/els/social/workincentives.

Reference date for all information is **July 1st 2009**

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1. Overview of the tax-benefit system

1.1. Average Worker wage (AW)

The annual wage of AW in 2009 is 7 372 BGN.

Source: Annual Enterprises' Survey on Labour, which is a census type.

<http://www.nsi.bg/otrasal-metodologiaen.php?otr=51>

2. Unemployment insurance

According to the acting Social Insurance Code the unemployment insurance is obligatory to all persons hired to work for more than five working days or 40 hours during one calendar month, regardless of the character of the work, of the way of payment and of the source of financing. The contribution rate is 1% on the gross monthly earning or the insurance income and is paid to the fund "Unemployment" of the State Public Insurance, correspondingly 0.6% by the employer (insurer) and 0.4% by the employee (insurant).

The unemployment benefit is paid in cash. The level and duration of unemployment benefit is independent of age and family status of individuals.

2.1 Conditions for receipt

The claimants for unemployment benefit shall:

1. have registration as unemployed at the Employment Agency;
2. have not been granted a pension for insured practice and age or professional pension for early retirement;
3. do not exercise labour activity, for which they are subject to obligatory insurance¹.

2.1.1 Employment conditions

The basic condition for unemployment benefit entitlement is insurance practice to the unemployment insurance fund which in the general case coincides with the length of the persons' employment record. There are few exceptions mentioned in the next section.

2.1.2 Contribution conditions

Right to pecuniary benefit for unemployment have the persons, for whom insurance installments have been paid or are due in fund "Unemployment" of the State Social Security at least 9 months during the last 15 months before the termination of the insurance.

For the purpose of acquiring of right to pecuniary unemployment benefit as insurance practice shall be considered also the time:

¹ Subject to obligatory insurance are the workers and the employees hired to work for more than five working days or 40 hours during one calendar month, regardless of the character of the work, of the way of payment and of the source of financing.

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1. of the paid and non-paid leave for bringing up of a child;
2. of the paid and non-paid leaves for temporary inability to work and for pregnancy and childbirth;
3. of the non-paid leaves of up to 30 working days in one calendar year;
4. the approved as insured practice in compliance with the legislation of another country on the grounds of an international treaty, of which the Republic of Bulgaria is a party.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The amount of unemployment cash benefit shall be 60 percent of the average daily wage or the average daily insurance income whereon insurance contributions to the Unemployment Fund have been paid or are due for the period of 9 calendar months preceding the month in which insurance was terminated, and may not be less than the minimum or more than the maximum daily amount of the unemployment benefit, set by the Law for the budget of the state public insurance in the reference year.

When the period based on which the average daily remuneration or the average daily insurance income is determined includes time which is recognised as insurance practice, without any insurance contributions being due, or during which the person has not been insured against unemployment, the following shall be taken into account when determining the insurance income:

- for the period of paid and unpaid child-care leave, of unpaid leave for temporary disability and for pregnancy and child-birth and of unpaid leave up to 30 working days during one calendar year: the statutory national minimum daily wage for the relevant period;
- for the period of paid leave for temporary disability and for pregnancy and child-birth: the income on the basis of which the cash benefit has been determined;
- for the period during which the person is not insured against unemployment - the statutory national minimum daily wage for the relevant period.

The statutory national minimum wage in 2009 for full-time working schedule (8 hours per day, 5 days per week) is 240 BGN per month and 1.42 BGN per hour.

In 2009 the minimum daily unemployment benefit is 6 BGN and the maximum - 12 BGN.

The average daily insurance income (ADII) for the preceding 9 months is calculated as follows:

ADII = $(MII_1 + MII_2 + \dots + MII_9) / (wd_1 + wd_2 + \dots + wd_9)$, where

MII_i - the monthly insurance income in each of the preceding 9 months before the month of the termination of the insurance;

wd_i - number working days in each month of the period concerned.

The daily unemployment benefit (DUB) equals **60% of ADII**.

The value of monthly unemployment benefit (MUB) shall be calculated by multiplying the daily amount by the number of working days of the relevant month:

MUB = DUB * wd_i

In 2009 it was introduced a new measure concerning **the distribution of amount of the unemployment benefit** during the period of which it is due.

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The persons, who have been dismissed in the period from 1 January 2009 to 31 December 2009 and who are entitled to unemployment allowance, shall be paid: a) 130 percent of the amount of the allowance - for the first half of the period during which allowance is due; b) 70 percent of the amount of the allowance - for the second half of the period during which allowance is due.

Calculation of the amount of unemployment allowances to persons, whose legal terms of employment have been terminated prior to 1 January 2009, shall be carried out pursuant to the previous procedure.

The aim of this measure was to give more incentives to unemployed persons to seek and find a new job at the beginning of the period of unemployment and to prevent them of being long term unemployed.

Bellow is presented an illustrative example of calculation of the UB in 2009 for an unemployed person with employment record of 6 years and average daily insurance income (ADII) for the preceding 9 months of 20 BGN.

(1) Calculation of daily unemployment benefit amount (DUB):

$$60\% * 20BGN = 12 BGN$$

(2) Determining of the period for which the unemployment benefit is due:

- *for a person with employment record of 6 years the period of payment is 8 months*

(3) Calculation of DUB amount for the first 4 months:

$$130\% * 12BGN = 15.60 BGN$$

(4) Calculation of DUB amount for the second 4 months:

$$70\% * 12BGN = 8.40 BGN$$

(5) Calculation of monthly unemployment benefit amount (MUB) for the first 4 months:

$$\text{For a month with 21 working days the MUB} = 21 * 15.60 BGN = 327.60 BGN$$

(6) Calculation of MUB for the second 4 months:

$$\text{For a month with 21 working days the MUB} = 21 * 8.40 BGN = 176.40 BGN$$

2.2.2 *Income and earnings disregards for benefit recipients and those starting a new job*

2.3 *Tax treatment of benefit and interaction with other benefits*

Unemployment benefit is not taxable.

2.4 *Benefit duration and waiting periods*

The pecuniary unemployment benefit shall be paid every month during the month, following the one for which it is due, depending on the duration of the insurance practice, for a period as follows:

Insurance practice (years)	Period for which benefit is received (months)
up to 3	4
3 to 5	6
5 to 10	8
10 to 15	9
15 to 20	10
20 to 25	11
over 25	12

The unemployed persons, who have acquired right to pecuniary indemnification before the expiry of three years from a previous exercising of the right to indemnification for unemployment, shall receive the minimum unemployment benefit for a term of 4 months.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

2.5.2 *Older workers*

The right to pecuniary indemnification for **long lasting unemployment** shall also have the persons, who are registered as unemployed and meet the following conditions:

1. after receiving of unemployment indemnification they have stayed unemployed, and at least 12 months preceding the month of submission of the application, they have maintained their registration regularly in the respective territorial unit of the Employment Agency;
2. are of 60 years and 6 months of age for men and of 57 years and 6 months of age for women;
3. the sum of their age and insurance practice is up to 60 months less than the required for acquisition of right to pension;
4. have not been granted a pension;
5. do not practice labour activity, for which they are subject to obligatory insurance.

Pecuniary indemnification for long lasting unemployment shall be in the minimum amount and shall be paid monthly for a period not exceeding 30 months.

Unemployed persons shall have right to benefit for long lasting unemployment only once.

2.5.3 *Others if applicable*

- The unemployed persons, which legal terms of employment have been terminated **upon their wish** or their consent shall receive the minimum extent of the pecuniary indemnification for unemployment for a term of 4 months.
- The level of the pecuniary benefit of the unemployed persons, who have worked **not full working time**, shall be determined proportionally to the agreed time. In this case the level of the benefit cannot be less than the respective proportional part of the determined minimum level of the benefit for unemployment.

- The persons, hired to work **not full working time** within the period of payment of the pecuniary unemployment benefit and receiving remuneration smaller than the national statutory minimum wage, shall have the right of benefit for unemployment in extent of 50 percent of the due pecuniary benefit for the remaining period of the payment.
- In 2009 it is introduced a new measure to provide support for employees who **temporarily work shorter hours** due to the effect of the economic downturn: Employees for whom part-time was established by employers due to reduction of the volume of the work may receive compensation of labour revenues in the form of partial unemployment benefit.

Conditions for receipt: Employers who suffer from the economic crises and who have established part-time for at least 5% of their personnel may apply on behalf of employees at the territorial units of Employment Agency.

Employees willing to receive partial unemployment benefit, complete and submit to the employer written statements.

Employers shall submit to the Employment Agency a list of documents concerning their legal and financial situation and to satisfy many conditions:

- to have a predominant number of employees employed in “Industry” or ‘Services” (economic activities within sections C, D, E, F, G, H, I and J of the National classification of economic activities²);
- do not due and do not have unpaid tax liabilities and/or commitments for contributions collected by the National Revenue Agency;
- are not bankrupt or are in bankruptcy or liquidation;
- have no penalties or fines imposed by the Labour Inspectorate in the last 6 months before applying procedure.

Calculation of benefit amount: The maximum benefit amount per employee is 120 BGN per month. The monthly level depends on the actual time worked during the month. The maximum monthly amount is paid to employees who worked part-time hours equal to half of the statutory full-time working hours and full month.

Benefit duration: Minimum 2 months, maximum 3 consecutive months in a calendar year.

3. Unemployment assistance

There is not unemployment assistance according to the acting national legislation, but it is a conditional requirement the applicants for social assistance in working age (with few exceptions) to be registered unemployed. Information on social assistance is presented in item 4 of this document.

4. Social assistance

Social support shall be received by persons, after all opportunities for self support and support from the persons, obliged to support them by law, are exhausted. The social support shall be resources in money and/or in kind which shall add or substitute the own income up to the basic vital needs or satisfy incidentally occurred needs of the supported individuals and families.

² The National classification of economic activities fully corresponds to the European classification NACE Rev.2.

The social supports are: monthly, purposed, one-time.

Social support is granted after assessment of:

1. the incomes of the person or the family;
2. the property status;
3. the family status;
4. the health status;
5. the labour and educational engagement;
6. the age;
7. other established circumstances.

4.1 *Conditions for receipt*

4.1.1 Income condition

Right to monthly social support in cash shall have persons or families whose income for the preceding month is lower than the determined differentiated minimal income (DMI). Basis for determining the differentiated minimal income is the guaranteed minimal income (GMI) whose monthly amount is determined by an Act of the Council of Ministers. The level of GMI in 2009 is 65 BGN.

The differentiated minimal income is determined as follows:

1. for persons over 75 years of age, living alone – 165 percent of the GMI;
2. for persons over 65 years of age, living alone – 140 percent of the GMI;
3. for persons over 65 years of age – 100 percent of the GMI;
4. for a person, cohabiting with another person (persons) or family, and for each of the spouses living together – 66 percent of GMI;
5. for a person up to 65 years of age, living alone – 73 percent of GMI;
6. for a person with durably reduced ability to work by 50 and over 50 percent – 100 percent of GMI;
7. for a person with durably reduced ability to work by 70 and over 70 percent – 125 percent of GMI;
8. for a child:
 - a) till 16 years of age and if he/she studies – till graduation of secondary education, including till graduation of XIII grade of a professional high school but not more than 20 years of age – 91 percent of GMI;
 - b) from 7 to 16 years of age and if he/she does study till graduation of secondary education, including till graduation of XIII grade of a professional high school, and has admitted 5 or more inexcusable absences for the respective month – 30 percent of GMI;
 - c) from 7 to 16 years of age, who does not study - 20 percent of GMI;
9. for an orphan child; for a child accommodated in a family of close friends or relatives or in receiving family; for a child with permanent damage – 100 percent of GMI;
10. for a parent bringing up alone child/children:
 - a) up to 3 years of age – 120 percent of GMI;
 - b) up to 16 years of age, and if he studies – till graduating of secondary or professional education, but not more than 20 years of age – 100 percent of GMI;
11. for pregnant women 45 days before childbirth and for a parent bringing up a child up to 3 years of age – 100 percent of GMI.

In the presence of more than one of the grounds the higher extent shall be applied.

4.1.2 Property condition

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Monthly support is granted if the persons or the families meet the following additional conditions:

1. their own home is the only one and it is not bigger than:
 - a) for one person - one-room;
 - b) for two-member and three-member family - two-room;
 - c) for four-member family - three-room;
 - d) for five-member and larger family - four-room;
 - e) for every co-habitant - one room;
2. to have not any other property, capitals or assets that might be sources of income.

The property and living conditions of individual or families are testified by means of a Social inquiry carried out by a representative of the directorate "Social Assistance".

4.1.3. Unemployment Registration

To qualify for SA the unemployed must be registered in the territorial unit of the Employment Agency for at least 9 months before filing the application for social support and not to have refused offered job and their inclusion in qualification courses for qualification and re-qualification organised by the Employment Agency.

Registration in the territorial units of the Employment Agency is not required for granting monthly support to:

1. a parent taking care of a child up to 3 years of age;
2. individual with handicaps with permanently reduced working capacity of 50 percent or over 50 percent;
3. persons taking care of a severely sick member of the family or for co-habitant sick person;
4. persons with psychic disorders certified by the respective specialised medical institutions;
5. persons under 18 years of age, who study in the day form of education in schools in the system of the national education.
6. pregnant women after the third month of their pregnancy.

4.2 *Calculation of benefit amount*

The amount of the social assistance in cash depends on the gross income of the individuals for the month preceding the month of the filing of the application to the local directorate "Social support".

"Income" for granting social support by the order of the Regulation for implementation of the Law on Social Support is all the gross income deriving from:

a) labour activity;

- b) activity in the field of the agricultural, forest and water farms;
- c) sale and/or exchange of chattel or real estates;
- d) sale of stocks, shares and other participation in trade companies and other forms of joint activity;
- e) rent and lease;
- f) copyright and licence remuneration;
- g) dividends and income from share holding;
- h) bonuses and awards from sport events;

i) indemnifications and benefits;

j) pensions;

k) scholarship;

l) monthly benefits for children;

m) adjudicated alimony;

n) others.

The amount of the social assistance received is not considered as income.

4.2.1 Calculation of gross benefit

The amount of the monthly social assistance is determined as a difference between the differentiated minimal income or the sum of the differentiated minimal incomes and the income of the persons or families for the preceding month.

Example: A family with two children of age less the 16 years.

The differentiated minimum income of the family (DMI_f) is calculated as sum of the individual DMI of each family member:

$$DMI_f = DMI_{p1} + DMI_{p2} + DMI_{ch1} + DMI_{ch2} = 66\%GMI + 66\%GMI + 91\%GMI + 91\%GMI,$$

Where $DMI_{p1,2}$ is the differentiated minimum income of both parents and $DMI_{ch1,2}$ stands for differentiated minimum incomes of both children.

Provided that the guaranteed minimum income in 2009 is 65 BGN, the $DMI_f = 204.10$ BGN.

To assume that the family has received an income of 100 BGN in the preceding month and provided all other requirements are met the amount of the monthly social assistance will be:

$$SA = 204.10 \text{ BGN} - 100 \text{ BGN} = 104.10 \text{ BGN}$$

4.2.1.1 Irregular additional payments

4.2.1.1.1 Social assistance for heating

Right to receive social assistance for heating shall have persons or families whose average gross income for the preceding 6 months is lower or equal to the determined differentiated minimal income for heating (DMIH) and who meet property and unemployment registration conditions described in items 4.1.2 and 4.1.3.

The differentiated minimum income for heating shall be determined as follows:

1. for a person, living alone - 210% of GMI (136.50 BGN);
2. for a person with durably reduced ability to work by 50 and over 50%, living alone – 249.6% of GMI (162.24 BGN);
3. for an orphan child – 196.8% (127.92BGN);
4. for a parent bringing up alone child/children up to 16 years of age, and if he/she studies – till graduating of secondary or professional education, but not more than 20 years of age – 249.6% of GMI (162.24 BGN);
5. for each of the spouses living together – 144% of GMI (93.60BGN);
6. for a child until 18 years of age and if he/she studies – till graduation of secondary education or professional high school but not more than 20 years of age – 157.2% of GMI (102.18BGN);
7. for a child with durable injury – 196.8% of GMI (127.92BGN);
8. for a person, cohabiting with another person(s) or family - 201.6% of GMI (131.04BGN);
9. for pregnant women 45 days before childbirth - 183.6% of GMI (119.34BGN);
10. for a parent bringing up a child up to 3 years of age – - 183.6% of GMI (119.34BGN);
11. for persons over 70 years of age - 183.6% of GMI (119.34BGN);
12. for persons over 65 years of age, living alone – 274.8% of GMI (178.62BGN);
13. for persons over 75 years of age, living alone – 288% of GMI (187.20BGN)

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14. for a person with durably reduced ability to work by 50 and over 50% – 183.6% of GMI (119.34BGN);

15. for a person with durably reduced ability to work by 70 and over 70% – 223.2% of GMI (145.08BGN);

16. for a person with durably reduced ability to work by 90 and over 90% – 274.8% of GMI (178.62BGN);

In the presence of more than one of the grounds the higher extent shall be applied.

Example: A family with two children of age less the 16 years.

The differentiated minimum income for heating of the family ($DMIH_f$) is calculated as sum of the individual $DMIH$ of each family member:

$$DMIH_f = DMIH_{p1} + DMIH_{p2} + DMIH_{ch1} + DMIH_{ch2},$$

$DMIH_{p1,2}$ - the differentiated minimum income for heating of both parents;

$DMIH_{ch1,2}$ - differentiated minimum incomes for heating of both children.

$$DMIH_f = 93.60BGN + 93.60BGN + 102.18BGN + 102.18BGN = 390.56 BGN$$

To assume the family has received a gross income of 1500 BGN for the preceding 6 months. It is on average 250BGN per month which is less than the calculated $DMIH_f$ of 390.56 BGN therefore the family qualifies for SA for heating.

The amount of the social support for heating is set in an Ordinance of the Minister of Labour and Social Policy. In 2009 the monthly amount of this support is 55.23 BGN and for the whole heating season (from November till March) it is 276.15 BGN. It is paid directly to heating companies, electricity companies, providers of fuel or in cash to the beneficiaries.

4.2.1.1.2 Other irregular additional payments

For satisfying incidentally occurred health, educational, communal and household and other vitally important needs of the persons and the families, one-time support can be granted once a year. The one-time support could be up to the five-fold amount of the guaranteed minimal income:

- For issuing of identity card to the persons can be granted one time purposed support up to the amount of the guaranteed minimum income.

- To persons having obtained permit for medical treatment abroad from the Ministry of health, for the account of its budget, can be granted one-time support for their personal needs and those of their companions.

- The persons with 71% or over 71% of permanently reduced working capacity, the children up to 16 years of age with reduced capability for social adaptation and the military individuals with handicaps shall have the right to free travelling twice a year - to and from destination, by railroad and bus transport in the country.

4.2.1.2 Obligations of family members

4.2.2 Income and earnings disregards for benefit recipients and those starting a new job

4.3 *Tax treatment of benefit and interaction with other benefits*

The social support shall be exempt from taxes and fees.

The social assistance can be received at the same time as others benefits or incomes provided that their lump sum is lower than the corresponding differentiated minimum income(s) of individuals or families.

4.4 *Benefit duration and waiting periods*

The application for monthly social assistance is filed once within the frames of a calendar year.

The monthly social assistance shall be granted from the first day of the month of filing of the applications and shall be paid not later than the end of the month following the month for which the support has been granted.

The application for heating is filed once per year in the period from 1st August to 31st October.

The social assistance for heating is granted for 5 months and is paid out as follows:

- for November and December – at latest until 31st December of the current year;
- for January, February and March – until 31 January of the next year.

4.5 *Treatment of particular group*

4.5.1 *Young persons*

4.5.2 *Older workers*

4.5.3 *Others if applicable*

5. Housing benefits for rented accommodation

5.1 *Conditions for receipt*

Housing benefits are not universally available. Right to receive monthly benefit have only persons renting public (state or communal) owned accommodations, whose income for the previous month is by 150% of DMI and if they are: 1) orphans to 25 years of age; 2) lone persons over 70 years of age; 3) lone parents. The claimants who qualify for HB always pay part of the rent themselves and the other part is transferred from social funds to the state/commune budget.

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5.2 *Calculation of benefit amount*

5.2.1 *Calculation of gross benefit*

5.2.2 *Income and earnings disregards*

5.2.3 *Costs eligible for housing benefits*

5.3 *Tax treatment of benefit and interaction with other benefits*

5.4 *Treatment of particular groups*

5.4.1 *Young persons*

5.4.2 *Older workers*

5.4.3 *Others if applicable*

6. **Family benefits**

Family benefits are aimed to support families at pregnancy, birth and bringing up children.

6.1 *Conditions for receipt*

The claimant must expect a child or must have a dependent child aged less than 18 years and till completion of secondary education but not more than 20 years of age.

Some of the family benefits depend on the family income and others are universally available.

To qualify for income-tested benefits the families and the pregnant women must have average gross monthly income³ per member of the family for the last 12 months lower or equal to the income, determined for this purpose in the Law for the state budget of the Republic of Bulgaria for the respective year. In 2009 the determined average monthly income is 350 BGN per capita.

In addition, to receive monthly family allowance for a dependent child parents must submit certificate from the education establishment, where the child has been registered as a student and with regard to the new school year – by the 31st of October.

6.2 Calculation of benefit amount

The amounts of the different types of family benefits are determined every year in the Law for the state budget of the Republic of Bulgaria.

6.2.1 Calculation of gross benefit

- Monthly support for a dependent child until completion of secondary education but not more than 20 years of age: an income-tested benefit.

The level of the monthly allowance is 35 BGN per child. In case of a simultaneous birth of 2 and more children the parents are entitled to a monthly family allowance per each child amounting to 150% of the fixed monthly allowance (= 150% * 35BGN = 52.50 BGN).

6.2.1.1 Irregular additional payments

- One-time financial support at pregnancy: an income-tested benefit.

The pregnant women, when they have no right to indemnification for pregnancy and birth under the Code for social insurance, shall be entitled to one-time allowance of 150 BGN.

- One-time financial support at birth of a child: universally available.

The mother is entitled to one-time support for birth of a live child, regardless of the income of the family, when the child has not been left for bringing up at specialised institution for children. The level of the benefit for a birth is differentiated as follows: for a first child – 250 BGN, for a second child – 600 BGN and for the third and the next ones – 200 BGN.

- Monthly support for bringing up of a child till one year of age: an income-tested benefit.

The mother who are not insured and do not receive indemnification for pregnancy, childbirth and bringing up of child by the order of the Code for social insurance, are entitled to monthly support for bringing up of child up to one year in extent of 100 BGN.

- Monthly support for bringing up of a child from 1 till 2 years of age: for socially insured mothers.

The amount of the monthly benefit for raising a child during the supplementary period of the paid leave (after the expiration of 410 days of the pregnancy and birth leave when the daily benefit is 90% of the average daily remuneration or the average daily insurance income on which social security contributions were paid or due), lasting till the moment the child grows up to 2 years of age is 240 BGN.

- Purposed support for school-children: an income-tested benefit.

³ "Income" are all gross incomes of the family, which are taxable under the Law on the taxes on the incomes of the individuals, as well as the received pensions, indemnification, support and scholarship except the monthly supplements for children with permanent damages, the scholarships of the students up to graduation of high school but not later than rounding of 20 years of age and all kinds of family benefits.

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To the families, which children have been registered in first year of state or municipal school, shall be released one time purposed support of 150 BGN for covering part of the expenses in the beginning of the school year.

6.2.2 *Income and earnings disregards*

6.3 *Tax treatment of benefit and interaction with other benefits*

Family benefits are not taxable.

6.4 *Treatment of particular groups*

6.4.1 *Young persons*

- One-time financial support for bringing up a child till one year of age by a mother – full time student

The mother – full-time student – is entitled to one-time support of 2 880 BGN for bringing up a child till one year of age, regardless of the income of the family.

6.4.2 *Older workers*

6.4.3 *Others if applicable*

- Monthly allowance for children with disabilities up to 18 years of age and till completion of secondary education, provided that the child is below 20 years of age.

Parents, bringing up children with permanent disabilities, are entitled to monthly allowance amounting to 70% of the statutory national minimum wage (= 70% * 240 BGN= 168 BGN).

- One-time financial support for bringing up twins till one year of age

The mother shall be entitled to one-time financial support for bringing up twins till one year of age regardless of the income of the family. The amount of the benefit is 1 200 BGN per each child.

- Purposed support to multiple child mothers for free travel by the railway and bus transport in the country.

The multiple child mothers shall be entitled to free return travel once per year by the railway or bus transport in the country.

7. Childcare for pre-school children

Age	Fraction of children in nurseries and kindergarten
1	10%
2	38%
3	68%
4	72%
5	76%
6	83%

The nurseries implement bringing up, training and education of children from three months to three years of age and kindergartens of children from 3 to 6 years of age. Compulsory schooling starts at the age of 7. Attending of kindergarten or special classes in primary schools is obligatory for 6-year-old children (pre-primary education).

7.1 *Out-of-pocket childcare fees paid by parents*

The fees for childcare at nurseries and kindergartens from public sector are set by local governments. The fees cover only a certain part of the childcare costs.

The fees vary for the different municipalities. Every municipality may establish differentiated fees depending on whether: it is nursery or kindergarten; it is weekly, all day or half-day nursery/kindergarten; place of residence is town or village; etc. In addition, the fee may consist of a monthly lump sum or may have a fixed subscription component and a fee per presence day.

Parents working 40 hours per week pay the commonly established fees for all day nurseries/kindergartens and cannot expect any reductions except in the cases established as exemptions by each municipality.

There is not an official statistics for the average childcare fees paid by parents.

Fees for Sofia-city municipality: weekly kindergarten – 48 BGN per month; all day nursery and kindergarten – 40 BGN per month, a half-day kindergarten with feeding included -15 BGN, a half-day kindergarten without feeding included -10 BGN per month. This fee is acceptable for a parent working 40 hours per week.

Example for exemptions established for the municipality of Sofia-city:

- Free of fee payments are: 1/ children with 50% and more limited possibilities for social adaptation; 2/ children whose parents are with more than 71% permanently reduced working capacity; 3/ children complete orphans; 4/ children of parent/parents perished at industrial accident, disasters or in the discharge of their duties; 5/ the third and the next children in large families.

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- In half free of fee payments are: 1/ children with one parent; 2/children whose parent serves his time as a soldier; 3/children one of whose parents is a full-time student.
- When a family has 2 children enrolled into a same or into different kindergartens, the fee for the second child is reduced by 50%. The fee is 50% and 75% reduced respectively for the first and the second child in a large family.

The fees for private institutions, that run childcare, are established by themselves. They are vastly higher and are covered fully by parents.

Childcare fees are not tax deductible and are not taken into account when determining entitlement to means tested benefits.

7.2 *Child-care benefits*

See item 6.

7.2.1 *Conditions for receipt*

7.2.2 *Calculation of benefit amount*

7.2.2.1 *Calculation of gross benefit*

7.2.2.2 *Income and earnings disregards*

7.2.3 *Tax treatment of benefit and interaction with other benefits*

7.2.4 *Treatment of particular groups*

8. **Employment-conditional benefits**

Not applicable.

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9. Lone-parent benefits

See: item 4.1.1 – point 10; item 4.2.1.1.1 – point 4; item 5.1; item 7.1.

Payment of adjudicated support by the state: In cases where the absent parent does not pay any child support/alimonies, the state shall pay the support when it has been adjudicated with a court decision entered into force in favor of Bulgarian citizen and is not paid regularly by the debtor in the formed executive case.

The support shall be paid by the municipality, the sum is transferred every month directly to the claimant.

9.1 Conditions for receipt

The support from the state is owed when the lone parent has not received the sums of the full amount of 2 or more monthly payments, although executive actions against the debtor have been undertaken.

The state shall pay the adjudicated support only when the debtor:

1. has no property, on which the execution may be directed;
2. has not known address in the country or abroad, or even with a known address, he/she is in a state, where the judicial decision cannot be executed;
3. is servicing punishment of deprivation of liberty.

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

The payment is in the amount, determined by the judicial decision, but not more than the maximum amount, determined every year by the Law on the State Budget of the Republic of Bulgaria.

The maximum amount set in 2009 is 60 BGN per month.

9.2.1.1 Irregular additional payments

9.2.2 Income and earnings disregards

9.3 Tax treatment of benefit and interaction with other benefits

It is not taxable. The adjudicated alimony is considered as income when individuals apply for social assistance (see item 4.2).

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9.4 *Benefit duration*

The circumstances concerning the state payment of the adjudicated support are revised once per 6 months.

9.5 *Treatment of particular group*

9.5.1 *Young persons*

9.5.2 *Older workers*

9.5.3 *Others if applicable*

10. **Tax system**

10.1 *Income tax*

A flat personal income tax without a tax-free range is applied.

Income tax is not differentiated according to the marital status and number of children.

10.1.1 *Tax allowances and credits*

10.1.1.1 *Standard allowances*

Personal social security contributions are deductible from the taxable income.

Taxable income = Gross earnings – Employee’s social security contributions

Example: Taxable income = 500 BGN – 65 BGN = 435 (see 10.3.1)

10.1.1.2 *Standard tax credits*

10.1.2 *Income tax schedule (central government income tax)*

The personal income tax rate is 10 percent.

10.1.3 *State and local income taxes*

10.2 *Treatment of family income*

Taxes are paid on an individual basis.

10.3 *Social security contributions and payroll taxes*

Employee's social contributions and employer's social contributions are levied on the gross income before any tax deductions.

The income for which are due social security payments shall include all the remunerations, including the accounted and non-paid or non-accounted ones and other incomes from labour activity but not less than the minimum monthly amount of the determined insurance income and not more than the maximum monthly amount of the insurance income.

The lower and upper limits of the insurance income are determined with the Law for the budget of the state public insurance for the calendar year.

- The maximum monthly insurance income in 2009 is 2 000 BGN. Above this threshold the amount of social security contributions remains the same irrespective of the level of employee's monthly earnings.
- The minimum insurance income is differentiated by groups of economic activities⁴ and 9 major occupational groups within these activities.

The total social contributions rate for the employees working under conditions of the most general 3rd category of labour in 2009 is 31.3% and is distributed by funds as follows:

- Pensions – 18 % , of which 5 % are contributed to Universal Pension Fund but only for persons born after 31.12.1959;
- General disease and motherhood – 3.5 % ;
- Unemployment – 1 % ;
- Labour accident and occupational disease⁵ – 0.7 % ;
- Guaranteed receivables of workers and employees – 0.1 % ;
- Health Insurance – 8 % .

10.3.1 *Contributions payable by employees and benefit recipients*

The total contribution rate payable by employees in 2009 is 13.0 % , of which:

- Pensions – 8 % , of which 2.2 % are contributed to Universal Pension Fund but only for persons born after 31.12.1959;
- General disease and motherhood – 1.4% ;
- Unemployment – 0.4% ;

⁴ The National classification of economic activities is applied which is in compliance with the European classification NACE Rev.2.

⁵ Percentage varies depending on economic activity of the employer, on average it is 0.7%.

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- Health Insurance – 3.2 %.

Example: Employee's social security contribution for monthly gross earnings of 500 BGN is
 $13.0\% * 500 = 65.00 \text{ BGN}$

10.3.2 Contributions payable by employers

The total contribution rate payable by employers in 2009 is 18.3 %, of which:

- Pensions – 10 % , of which 2.8 % are contributed to Universal Pension Fund but only for persons born after 31.12.1959;
- General disease and motherhood – 2.1 % ;
- Unemployment – 0.6 %;
- Labour accident and occupational disease – 0.7 % ;
- Guaranteed receivables of workers and employees – 0.1 %;
- Health Insurance – 4.8 %.

Example: Employer's social security contribution for monthly gross earnings of 500 BGN is
 $18.3\% * 500 = 91.50 \text{ BGN}.$

10.3.3 Payroll taxes

Not applicable.

10.4 Treatment of particular group

10.4.1 Young persons

10.4.2 Older workers

10.4.3 Others if applicable

11. Part-time work

See item 2.5.3.

11.1 Special benefit rules for part-time work

11.2 Special tax and social security contribution rules for part-time work

12. Policy developments

A number of policy changes were introduced in 2009:

1. Increase of the health insurance rate by 2 percentage points, from 6 to 8 %. For the employers it is increased from 3.6 to 4.8 % and for the employees – from 2.4 to 3.2%.
2. Decrease of the pension insurance rate by 4 percentage points. For the employers it is reduced from 13.2 to 10 % and for the employees – from 8.8 to 8%.
3. Decrease of the employers' contributions rate to the fund "Guaranteed receivables of workers and employees" by 0.4 percentage points (see item 10.3.2).
4. The guaranteed minimum income is increased from 55 to 65 BGN (see item 4.1.1).
5. It is switched off from monthly minimum/maximum levels to daily minimum/maximum levels of the unemployment benefit. In 2008 the lower and the upper limits are correspondingly 100 BGN and 200 BGN per month while in 2009 they are 6 BGN and 12 BGN per day.
6. A new measure was introduced to provide support for employees who **temporarily work shorter hours** due to the effect of the economic downturn. The maximum benefit amount per employee is 120 BGN per month (see item 2.5.3).
7. The amount of the monthly family benefit for a dependent child until completion of secondary education but not more than 20 years of age is increased from 25 to 35 BGN and the threshold to be received this benefit is raised from 300 to 350 BGN per month and per family member (see item 6).

12.1 Policy changes introduced after July 1st

12.2 Future policy changes announced after July 1st

Decrease of the pension insurance and respectively the total social security contributions rate by 2 percentage points. For the employers it is reduced from 10 to 8.9 % and for the employees – from 8 to 7.1%.