

PORTUGAL

1. Overview of the system

Portugal has an insurance based unemployment benefit system with duration related to age. An assistance system exists and is related to the unemployment history of the recipient. There are universal family benefits. Child-care benefits do not exist, nor are there any provisions for lone parents. Housing benefits are restricted to people suffering a sudden loss of income, for example through unemployment. They are not meant to be paid permanently. Social assistance is minimal and temporary. The tax unit is the family. The 1995 APW earnings level is Esc 1 218 396.

2. Unemployment insurance

2.1 *Conditions for receipt*

Unemployment insurance is compulsory. Claimants have to be capable and available for employment and have to be registered at the employment office.

2.1.1 *Employment conditions*

A 540 days employment record in the last 24 months is needed to be eligible for UI payments.

2.1.2 *Contribution conditions*

The contribution condition coincides with the employment condition.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

65 per cent of the average salary during the 12 months period ending 2 months before unemployment. The monthly reference earnings cannot be higher than 3 times the minimum wage. The benefit is subject to a minimum equal to the minimum wage. The minimum wage amounts to Esc 52 000 per month on average over the whole year 1995.

2.2.2 *Income and earnings disregards*

It is not possible to receive any earnings from work without losing all benefit entitlements.

2.3 *Tax treatment of benefit*

Not taxable.

2.4 *Benefit duration*

There is no waiting period. Duration increases with age according to the following table:

Age	Duration (months)
18 - 25	10
25 - 30	12
30 - 35	15
35 - 40	18
40 - 45	21
45 - 50	24
50 - 55	27
55+	30

2.5 *Treatment of particular groups*

2.5.1 *Young workers*

None.

2.5.2 *Older workers*

For insured aged 55 and over, the unemployment benefit is paid until retirement age.

3. **Unemployment assistance**

3.1 *Conditions for receipt*

Claimants have to be between 18 and 65 years of age and have to be registered unemployed looking for work and available for work.

3.1.1 *Employment conditions*

Any claimant needs to have worked 5.9 months in the year preceding the claim, unless he/she is a first time job seeker with dependants.

3.1.2 *Contribution conditions*

The contribution condition coincides with the employment condition.

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

Benefit amounts per month are linked to the minimum wage level and depend on family type:

Family type	After UI benefit	Not eligible for UI
Single	70% of minimum wage	70% of minimum wage
Couple	90% of minimum wage	80% of minimum wage
Couple+children	minimum wage level	90% of minimum wage
Single parents	80% of minimum wage	80% of minimum wage

The payments are reduced by 10 per cent in the last 90 days of the entitlement.

3.2.2 *Income and earnings disregards*

Any income exceeding 80 per cent of the minimum wage destroys all entitlements.

3.3 *Tax treatment of benefit*

Not taxable.

3.4 *Benefit duration*

There is no waiting period. Two different variants exist: one for previous UI benefit claimants; one for those not qualifying for UI benefits. The duration depends on age in both cases.

Age	Duration (in months)	
	After UI benefits	Not eligible for UI benefits
18 - 25	5	10
25 - 30	6	12
30 - 35	7.5	15
35 - 40	9	18
40 - 45	10.5	21
45 - 50	12	24
50 - 55	13.5	27
55+	15	30

3.5 *Treatment of particular groups*

3.5.1 *Young workers*

None.

3.5.2 *Older workers*

For insured aged 55 and over, the unemployment benefit is paid until 60. They can then receive an old age pension.

4. **Social assistance**

4.1 *Conditions for receipt*

Only first time job seekers in the age group 18-25 years old can apply for an allowance. The employment record must be under 180 days (the claimant would otherwise qualify for UI benefits anyway). First time job seekers with dependants qualify for UA benefits.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

The benefit amounts to Esc 20 000 per month.

4.2.2 *Income and earnings disregards*

No earnings disregards. The benefit is reduced escudo for escudo against any income and social benefits.

4.3 *Tax treatment of benefit*

Not taxable.

4.4 *Benefit duration*

The benefit is paid for a maximum period of 15 months.

4.5 *Treatment of particular groups*

There is no special treatment.

5. Housing benefits

There is a scheme of means-tested housing benefits forming an addition to social assistance type benefits. It is only available to people in sudden need. This can be a result of unemployment. The general eligibility condition is a 30 per cent loss of gross income or an income at the level of the non-contributory social pension (equal to Esc 20 000 per month).

6. Family benefits

6.1 *Conditions of receipt*

Family benefits are paid to families with dependent children or with dependants outside marriage other than children.

6.2 *Calculation of benefit amount*

The amounts are not differentiated by age group.

6.2.1 *Calculation of gross benefit*

The monthly amounts are Esc 30 960 per child, per year.

6.2.2 *Income and earnings disregards*

Child benefits are not subject to any means test.

6.3 *Tax treatment of benefit*

Family benefits are not taxable.

6.4 *Treatment of particular groups*

None.

7. Child-care benefits

None.

8. Employment-conditional benefits

None.

9. Lone-parent benefits

None.

10. Tax system

Portugal has a progressive tax scheme with 4 rates varying between 15 and 40 per cent in 1994. Taxable income and income tax are calculated using the splitting method.

10.1 Income tax rate schedule

10.1.1 Tax allowances and credits

Tax allowances:

- basic allowance equals 65 per cent of the gross family income not exceeding Esc 440 000 per earner, or the total social security contributions if the latter are greater.

Tax credits:

- Esc 24 000 for each partner in a couple;
- Esc 32 000 for a single;
- Esc 17 500 for each dependent child.

10.1.2 The definition of taxable income

Taxable income equals gross earnings minus tax allowances for a single. A couple has a different tax treatment, see 10.1.3.

10.1.3 The tax schedule

Taxable income band (1 000s)	Tax rate(%)	Deduction(1 000s)
0 - 970 000	15	-
970 000 - 2 260 000	25	97 000
2 260 000 - 5 790 000	35	323 000
5 790 000 and over	40	612 500

Tax liability is calculated using family type specific formulae:

- Singles: $I = (R \times T) - K - C$

- Two-earner couples: $I = \{[(R / 2) \times T - K] \times 2\} - C$
(if the earnings of one partner do not exceed 95 per cent of the total gross earnings of the family)
- One-earner couples: $I = \{[(R / 1.9) \times T - K] \times 2\} - C$
(if the earnings of one partner exceed 95 per cent of the total gross earnings of the family)

where:

I = tax liable;

R = taxable income after reduction of possible allowances;

T = tax rate in appropriate bracket;

K = deduction per bracket;

C = tax credits.

10.2 *Treatment of family income*

The tax unit is the family.

10.3 *Social security contribution schedule*

Employees pay 11 per cent of gross earnings without ceiling as social security contributions.

11. *Part-time work*

11.1 *Special benefit rules for part-time work*

There are specific requirements regarding working days.

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

None.

12. *Policy developments*

12.1 *Policy changes introduced in the last year*

None.

12.2 *Policy changes announced*

None.

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**The annual tax/benefit position of an unemployed single person, 1995
(Escudos)**

	Unemployment insurance	Unemployment assistance
A. Taxable benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Unemployment insurance	791 957	0
Unemployment assistance	0	436 800
Social assistance	0	0
Non-means tested benefits		
Family benefits	0	0
Total non-taxable benefits	791 957	436 800
D. Net income out of work (A-B+C)	791 957	436 800
E. Net income in work	999 613	999 613
F. Net replacement rate (D/E) (per cent)	79	44

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**The annual tax/benefit position of an unemployed married couple with two children, 1995
(Escudos)**

	Unemployment insurance	Unemployment assistance
A. Taxable benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Unemployment insurance	791 957	0
Unemployment assistance	0	624 000
Social assistance	0	0
Non-means tested benefits		
Family benefits	61 920	61 920
Total non-taxable benefits	853 877	685 920
D. Net income out of work (A-B+C)	853 877	685 920
E. Net income in work	1 106 388	1 106 388
F. Net replacement rate (D/E) (per cent)	77	62

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**The annual tax/benefit position of a lone parent with two children, 1995
(Escudos)**

	Unemployment insurance	Unemployment assistance
A. Taxable benefits		
Total taxable benefits	0	0
B. Income tax and social security contributions		
Total income tax and social security contributions	0	0
C. Non-taxable benefits		
Means-tested benefits		
Unemployment insurance	791 957	0
Unemployment assistance	0	499 200
Social assistance	0	0
Non-means tested benefits		
Family benefits	61 920	61 920
Total non-taxable benefits	853 877	561 120
D. Net income out of work (A-B+C)	853 877	561 120
E. Net income in work	1 096 533	1 096 533
F. Net replacement rate (D/E) (per cent)	78	48