

## **PORTUGAL 1999**

### **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 1999 APW earning level is estimated at PTE 1 459 261.

### **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. There are, however, exceptional measures of conjuncture in specific legislation.

##### **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. This calculation takes into account the annual vacation bonus and the Christmas bonus due in the reference period. The maximum benefit amount is three times the national minimum wage; the minimum amount is the amount of the national minimum wage or of the average remuneration if this one is lower than that wage. The national minimum wage amount in 1999 was PTE 61 300 per month.

### 2.2.2 *Income and earnings disregards*

The unemployment benefit may be accumulated with part-time work in accordance with some requirements set by law.

### 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)
<30	12
30 - 39	18
40 - 44	24
45+	30

The beneficiaries of 45 years of age or over are entitled to more 2 months for each set of 5 years with registered earnings in the last 20 years preceding the unemployment.

### 2.5 *Treatment of particular groups*

#### 2.5.1 *Young workers*

None.

#### 2.5.2 *Older workers*

When at the date of the unemployment, the beneficiary has 55 years of age or more the age of entitlement to the old age pension is anticipated to the 60 years of age provided that at that date the guarantee period required by law is completed.

The age of entitlement to the old-age pension is still anticipated to the 55 years of age for the beneficiaries that at the date of the unemployment have simultaneously 50 years of age or more and a contributory career of, at least, 20 civil years with registered remuneration. In that case the statutory pension amount is reduced.

## 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 180 days in the year preceding the claim, unless he/she is a first job seeker with dependents.

### *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	80% of minimum wage	80% of minimum wage
With an aggregate	100% of minimum wage	100% of minimum wage

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

### *3.2.2 Income and earnings disregards*

The unemployment assistance must not be accumulated with the earned incomes.

## **3.3 Tax treatment of benefit**

Not taxable.

## **3.4 Benefit duration**

Idem 2.4

## **3.5 Treatment of particular groups**

### *3.5.1 Young workers*

None.

### 3.5.2 *Older workers*

Idem 2.5.2

## 4. **Social assistance**

The people of 16 – 30 years of age who are looking for their first job are not entitled to any unemployment benefit.

The unemployed of 30 to the 50 years of age are considered long term unemployed since the period of allowance of the benefit is longer than 12 months. However, they do not benefit from any measure of incentive or compensation for the loss of income once finished the period of allowance of the benefit.

Note: SA is not included in the calculations. The reason is that SA in Portugal is almost nonexistent. Therefore, there is no data on the rules for the calculation of benefit.

## 5. **Housing benefits**

This subsidy is granted within the scope of the “Secretaria de Estado da Habitação”.

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 PTE 23 600 per month).

Note: Housing benefits are not included in the calculations because there is no data available on the rules for the calculation of benefit. However, the total expenditure on Housing benefits is low in Portugal.

## 6. **Family benefits**

### 6.1 *Conditions of receipt*

There are allowances within the scope of the General Scheme (contributory) and of the non-contributory Scheme.

Requirements for the allowance within the general scheme (contributory): existence of a register of the remuneration in name of the beneficiary during the 12 months preceding the 2<sup>nd</sup> month before the date of presentation of the application or of the checking of the fact which determines the allowance.

Requirements for the allowance within the non-contributory scheme: the allowances are granted to children and youth who have: 1) monthly gross incomes which are equal or lower than 40 % the national minimum wages provided that the income of the respective household is not higher than 1,5 times that wage – General Resources Requirement or 2) a household with an income per person not higher than 30% the national minimum wage and in situation of risk or social disruption – Special Resources Requirement.

## **6.2**      *Calculation of benefit amount*

There are 2 age groups for the dependent children with different benefit amounts (equal and less than 12 months and more than 12 months) and also 3 levels of income (related to the minimum wage).

The first level concerns the incomes equal or less than 1,5 the minimum wage. The second level is applied for incomes above 1,5 the minimum wage up to 8 minimum wages. The third level concerns the incomes higher than 8 minimum wages. These values are reported to annual values (14 months).

### **6.2.1**      *Calculation of gross benefit*

The yearly amounts are PTE 53 040 per child for the first income level, PTE 36 840 for the second income level and PTE 34 080 for the third income level.

However, the amounts, referred above, have a majority in each level of income when the dependant has less than 12 months of age and also when dependants are more than two.

### **6.2.2**      *Income and earnings disregards*

The effective beneficiaries of the allowances (beneficiaries' relatives) can't accumulate these allowances with earned incomes.

## **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 5 rates varying between 14 and 40 per cent in 1999. 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 70 per cent of the gross family income not exceeding PTE 529 632 per earner, or the total social security contributions if the latter are greater.

Tax credits:

PTE 27 400 for each partner in a couple;

PTE 36 000 for a single;

PTE 19 800 for the first dependant child, PTE 20 025 for the second, PTE 20 250 for the third, 20 375 for the fourth and further children.

#### 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 – 700	14	–
700 – 1105	15	7
1105 – 2750	25	117.5
2750 – 6 405	35	392.5
6405 and over	40	712.75

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**

The employers pay 23.75 % and the employees 11 % of the monthly remuneration.

## **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**

The minimum income project was expanded to the whole country.

**12.2**    *Policy changes announced*

## PORTUGAL

### The annual tax/benefit position of an unemployed single person 1999 (in escudos)

	Unemployment insurance	Unemployment assistance
<b>A. Taxable benefits</b>		
<b>Total taxable benefits</b>	<b>0</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Unemployment insurance	948 520	0
Unemployment assistance	0	588 480
Social assistance	0	0
<b>Non-means tested benefits</b>		
Family benefits	0	0
<b>Total non-taxable benefits</b>	<b>948 520</b>	<b>588 480</b>
<b>D. Net income out of work (A-B+C)</b>	<b>948 520</b>	<b>588 480</b>
<b>E. Net income in work</b>	<b>1 202 298</b>	<b>1 202 298</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>79</b>	<b>49</b>

## PORTUGAL

### The annual tax/benefit position of an unemployed married couple with two children (6 and 4 years old)

1999

(in escudos)

	Unemployment insurance	Unemployment assistance
<b>A. Taxable benefits</b>		
<b>Total taxable benefits</b>	<b>0</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Unemployment insurance	948 520	0
Unemployment assistance	0	735 600
Social assistance	0	0
<b>Non-means tested benefits</b>		
Family benefits	106 080	106 080
<b>Total non-taxable benefits</b>	<b>1 054 600</b>	<b>841 680</b>
<b>D. Net income out of work (A-B+C)</b>	<b>1 054 600</b>	<b>841 680</b>
<b>E. Net income in work</b>	<b>1 336 899</b>	<b>1 336 899</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>79</b>	<b>63</b>

**PORTUGAL**

**The annual tax/benefit position of a lone parent  
with two children (6 and 4 years old)  
1999  
(in escudos)**

	Unemployment insurance	Unemployment assistance
<b>A. Taxable benefits</b>		
<b>Total taxable benefits</b>	<b>0</b>	<b>0</b>
<b>B. Income tax and social security contributions</b>		
<b>Total income tax and social security contributions</b>	<b>0</b>	<b>0</b>
<b>C. Non-taxable benefits</b>		
<b>Means-tested benefits</b>		
Unemployment insurance	948 520	0
Unemployment assistance	0	735 600
Social assistance	0	0
<b>Non-means tested benefits</b>		
Family benefits	106 080	106 080
<b>Total non-taxable benefits</b>	<b>1 054 600</b>	<b>841 680</b>
<b>D. Net income out of work (A-B+C)</b>	<b>1 054 600</b>	<b>841 680</b>
<b>E. Net income in work</b>	<b>1 315 803</b>	<b>1 315 803</b>
<b>F. Net replacement rate (D/E) (per cent)</b>	<b>80</b>	<b>64</b>