

Rules on minimum and maximum income subject to mandatory and voluntary national insurance contributions 3/22/21



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On 27 May 2021 a meeting of state secretaries heard the announcement of draft rules to be issued by the Cabinet of Ministers, which provide for adopting the minimum and maximum income that is subject to voluntary national social insurance ("NSI") contributions and to mandatory contributions for self-employed persons. This article explores the new draft rules, which are to replace Cabinet Rule No. 1478 of 17 December 2013.

The new rules

Cabinet Rule No. 1478 on the minimum and maximum income subject to mandatory and voluntary NSI contributions will cease to apply and will be replaced by a new rule drawn up in accordance with subsections 14 (2), (5) and (6) of the NSI Act. The new rule will prescribe the minimum income subject to mandatory NSI contributions for self-employed persons, the maximum income subject to mandatory NSI contributions for all contributors, and the minimum income subject to voluntary NSI contributions, as well as how those income levels are calculated.

Income subject to NSI contributions

The minimum income subject to mandatory NSI contributions for a self-employed person and for a voluntarily insured person is explained below:

- For a self-employed person whose monthly income reaches or exceeds the minimum monthly wage set by the government, the minimum income subject to mandatory NSI contributions for all insurance risks set for the self-employed is the minimum monthly wage of EUR 500 in 2021.
- For a voluntarily insured person, the annual minimum income subject to mandatory NSI contributions is 12 minimum monthly wages set by the government. To avoid cases where a person joins the NSI scheme for only a few days per month but the full calendar month is credited to the person's insurance period, the income subject to voluntary NSI contributions is the monthly minimum wage for each month in which the person joins the NSI scheme voluntarily for at least one day.

If a person was voluntarily insured for less than a year or for an incomplete calendar month, the minimum NSI income is determined in proportion to the number of months in the calendar year the person was voluntarily insured.

These conditions for the minimum income subject to mandatory NSI contributions do not apply to

professional athletes or to persons paying farm workers' income tax who have joined the NSI scheme voluntarily.

The maximum income subject to NSI contributions and how it is calculated

Currently the annual maximum income subject to mandatory and voluntary NSI contributions is EUR 62,800. Since the NSI Act prescribes indicators to be used in calculating the maximum income subject to mandatory NSI contributions, the new draft rule includes provisions that specify how the maximum income subject to mandatory NSI contributions will be calculated (including formulas and rounding conventions).

The Welfare Ministry calculates the maximum NSI income for every three calendar years and applies the maximum set for the previous period and an index of changes in the monthly average gross pay for persons employed in the economy, calculated for the next three calendar years.

In 2018-2021 the pay index was calculated according to the forecast pay increase and reflected the difference between the actual pay increase and the one forecast in the previous calendar year. The pay index forecast calculated in 2018-2021 will be used in computing the pay index for 2022-2024.

The maximum NSI income is rounded to whole hundreds of euros.

The draft rules provide for keeping the current procedure under which a single maximum is applied to anyone who fits multiple socially insured categories in the calendar year.