



TAX & LABOUR | Decree number 4/XI of the Assembly of the Republic

The President of the Portuguese Republic has enacted on last December 29th the Decree number 4/XI establishing January 1st, 2011 as the new date for the Social Security Contribution Code entering into force.

This Decree confirms the already expected deferral of the entry into force of the Contribution Code following an initiative of an opposition party demanding such deferral but also expresses the President of the Republic view that the Portuguese Government should promote a debate regarding the Code, in order to introduce eventual improvements and/or amendments to this law.

Although further amendments to the Contribution Code may be introduced, this deferral is welcome since it allows companies to prepare to the entry into force of the new rules more carefully, given the expected relevant increase of the social costs inherent to the Contribution Code, which may, notably, arise from:

- (i) breadth of the range of income to be considered for the computation of Social Security Contributions;
- (ii) obligation of contributing which is established for the entities that benefit from services of independent service providers;
- (iii) contribution rate – for which the employer is liable – depending on the type of employment contract entered into.

The year 2010 must therefore be faced as an opportunity for companies to analyze and evaluate their internal procedures and salary packages in order to measure and minimize the impacts arising from the entry into force of the Contribution Code on January 1st, 2011.

