

Mandatory state social insurance



- **Social insurance**

Social insurance – Is a form of security aimed at compensation of natural persons lost salaries, incomes and additional expenses and at prevention thereof in cases provided for in the law on social insurance

Payers of mandatory state social insurance – persons who socially insurer themselves or other

• Participants of social insurance

Participants of social insurance are insuring organizations, insurers and insured.

- **Insuring organizations - are the legal entities that perform activities for mandatory state social insurance or voluntary insurance as prescribed by the legislation of Republic of Azerbaijan and that manages the insurance funds.**
 - **Insurers – are institutions, departments and organizations, their branches and representations, operating in the Republic of Azerbaijan, having the status of legal entity, established in accordance with legislation of the Republic of Azerbaijan or a foreign country irrespective of ownership and organizational-legal form, elective bodies, as well as other persons providing insurance for themselves or others.**
 - **Insured – is the person in benefit of whom insurance activity is carried out.**
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• **Social insurance event**

Social insurance event is such a case at the occurrence of which the insured person is entitled to receive insurance payment from insuring organization.

Social insurance event includes the following:

- **Attaining pension age;**
 - **to be disabled or to have poor health by the age of 18;**
 - **to loose the breadwinner ;**
 - **temporary loss of working capacity (for the period defined by legislation)**
 - **Pregnancy and birth;**
 - **Child birth;**
 - **Child care;**
 - **death;**
 - **necessity for sanatorium-resort treatment;**
 - **Unemployment (for the period defined by legislation).**
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- Accounting of insurance participants for mandatory state social insurance

Accounting in the bodies of SSPF of commercial legal entities, representations and branches of foreign commercial legal entities, as well as physical persons engaged in entrepreneurial activities shall be conducted based on registration information submitted by the Ministry of Taxes of Republic of Azerbaijan.

Non-commercial legal entities should be registered in the insuring organization by submitting relevant information within one month from state registration, family – peasant household – from registration as specified by legislation, persons using agricultural lands in their ownership – from receipt of document confirming property right over land, and other insurers which are not business entities – from signature of labour agreement (contract).

- Persons subject to mandatory state social insurance
 1. Persons appointed to posts as per the Decision of the Parliament of the Republic of Azerbaijan, Decrees and Executive Orders of the President of the Republic of Azerbaijan
 2. Citizens of the Republic of Azerbaijan working under labour agreement (contract) and stateless persons, Foreigners receiving labour payment from sources of the Republic of Azerbaijan and other incomes subject to mandatory state social insurance
 3. Those who work in elective paid positions;
 4. Military servicemen;
 5. Persons with special ranks;
 6. Employees of public prosecutor's office who serve in the bodies of public prosecutor's office;
 7. Employees of tax agency;
 8. Members of bar association;
 9. Physical persons individually engaged in entrepreneurial and labour activities

The object of deduction of mandatory state social insurance

Incomes related to hired labour and entrepreneurial activities shall be the object of deduction of mandatory state social insurance.

Incomes subject to mandatory state social insurance are as follows:

- Income related to hired work- payment for labour;
- Income from activities not related to hired work – income from entrepreneurial activities

- Insurance contribution in mandatory state social insurance shall be specified by percent in relation to labour payment (income) and paid at the cost of funds of the insurer (insured).

Mandatory state social insurance contribution shall be paid:

- in amount of 22 percent of calculated wage fund and other incomes subject to mandatory state social insurance by the employer;
- and the employees shall pay mandatory state social insurance contribution in amount of 3 percent of the calculated salary

- Each capable family member of persons using agricultural lands they own (other than those who establish legal entity and family – peasant households shall pay mandatory state social insurance contribution in the following percent of minimum salary specified for the country per hectare of the plot of land:

for 1 st quality group of lands	12 percent
for 2 nd quality group of lands	8 percent
for 3 rd quality group of lands	4 percent
for 4 th quality group of lands	2 percent

- **E** Persons using labour of hired workers in households (household servants nurse, personal secretary, driver etc) shall pay mandatory state social insurance contribution for these workers in amount of 20 percent of calculated salary;

- Members of Bar association, private notaries, independent auditors, independent accountants should pay mandatory state social insurance contribution in amount of 20% of their incomes;
- Legal and physical persons who pay copyright royalty should pay mandatory state social insurance contribution in amount of 15 percent of the royalty calculated by withholding at source;
- There should be withheld mandatory state social insurance contribution in amount of 25 percent of incomes for those persons working under civil-legal agreements;
- Citizens of the Republic of Azerbaijan who perform paid labour activities or individual entrepreneurial activities in foreign countries and who do not pay mandatory state social insurance contribution in these countries shall pay mandatory state social insurance contribution in amount of 80 percent of minimum monthly salary specified for the country.

Physical persons performing entrepreneurial activities in the fields of commerce and construction shall pay mandatory state social insurance contribution in the following percent of the amount of 50 percent of minimum monthly salary specified for the country, and physical persons performing entrepreneurial activities in other fields – of the amount of 20 percent:

- 100 percent in Baku city,
- 90 percent in Sumgayit and Ganja cities,
- 80 percent in other cities under republican control ,
- 60 percent in region centres, other cities and settlements,
- 50 percent in rural areas

Family – peasant households shall pay mandatory state social insurance contribution in amount of 6 percent of minimum monthly salary specified for the country for each member of family – peasant households.

- **Mandatory state social insurance contribution payment period**

Mandatory state social insurance contribution calculated for each month shall be paid on the same time as the salary and payments for other incomes, but not later than 15th day of the next month, in full amount as cash or non-cash settlement.

Legal and physical persons paying the royalty at source shall pay mandatory state social insurance contribution by 15th day of month following the calculation of the royalty.

Entrepreneurs having no bank account in the banking authorities, shall transfer mandatory state social insurance contributions to the accounts of the bodies of SSPF based on certified cash receipt as well as by way of cash payment through banking authorities or post-office.

- Accounting and reporting for mandatory state social insurance contributions
 - Insurers should conduct accounting of calculation and payment of mandatory state social insurance contributions
 - The insurer shall submit a report on mandatory state social insurance contributions calculated and paid and other amounts every quarter and every year, to the body of SSPF in which they are registered.
 - The report for every quarter should be submitted to the body of SSPF not later than 20th day of the following month and individually for each quarter. In case the 20th day of April, July, October and January falls on a non-working day, then the period of submission of report shall be extended until the first working day following the 20th.

- Accounting and reporting for mandatory state social insurance contributions
 - Insurers are entitled to submit their reports electronically. For this they need to go to official website of SSPF (www.sspf.gov.az) and chose “Electronic services section, then the service of “submission of reports and information for mandatory state social insurance contribution in the section “Electronic services”. After receiving user code, password and login, they can go to official website of SSPF (www.sspf.gov.az) and using “Electronic services section, then the service of “submission of reports and information for mandatory state social insurance contribution in the section “Electronic services”, they can draw up reports electronically.

• **Types of payments for social insurance**

In case of occurrence of social insurance event, the following insurance payments are made:

- **Labor pensions defined by the relevant legislation of Republic of Azerbaijan;**
- **benefit for temporary loss of working capacity (for the period defined by legislation);**
- **pregnancy and birth benefit;**
- **lump sum payment for child delivery;**
- **benefit related to child care by the age provided for in legislation;**
- **Funeral benefit;**
- **full or partial payment of expenses of sanatorium – resort treatment of the insured.**

- **benefit for temporary loss of working capacity**

Persons subject to mandatory state social insurance are entitled to receive benefit for temporary loss of working capacity (for the period defined by legislation), The right to receive benefit for temporary loss of working capacity applies to persons having at least 6 months of social insurance record. Monthly maximum amount of benefit may not be more than 25 times the basic part of the old-age labour pension.

The amount of benefit shall be determined depending on the amount of earnings in the previous last 12 full calendar months from the month of temporary loss of working capacity.

- **Benefit for pregnancy and delivery**

Persons subject to mandatory state social insurance are entitled to receive pregnancy and delivery benefit

The right to receive pregnancy and delivery benefit applies to persons having at least 6 months of social insurance record. Monthly maximum amount of benefit may not be more than 25 times the basic part of the old-age labour pension

Employed women are granted paid leave for 126 days for the period during pregnancy and for post-delivery period (70 calendar days prior to delivery and 56 calendar days following delivery), in case of difficulty in delivery and if two or more children are delivered, then post-delivery leave is granted for a period of 70 calendar days.

Amount of the benefit shall be defined depending on the amount of earnings within the last 12 calendar months prior to leave.

- **Benefit for child birth**

Persons subject top mandatory state social insurance are entitled to receive Benefit for child birth.

When the child is born, the family is granted a lump sum payment in amount defined by legislation. In case the mother who delivered the child is not employed or the child has no mother by any reason, the employed father is granted the benefit

Amount of Benefit for child birth was defined in amount of 90 manats from September 1, 2013 as per Decree of the President of Republic of Azerbaijan of August 29, 2013 No.973

• Funeral benefit

The procedure for calculation and payment of funeral benefit for labour pensioners is regulated by the Law of Republic of Azerbaijan “On labour pensions”


In case the insured or labour pensioner dies, funeral benefit is granted.

- Amount of funeral benefit for insured shall be determined by legislation on social benefits, and the amount of funeral benefit for labour pensioners – by legislation on labour pensions. The period for application for the benefit is not restricted.
- Amount of funeral benefit for insured was fixed as 120 manats from 01,09,2013 by the legislation on social benefits.
- According to Law “On labour pensions” of Republic of Azerbaijan, in case of death of labour pensioner, his family is granted funeral benefit in amount of three times the basic part of old-age labour pension
- In case the died person is both insured, and labour pensioner, then one of funeral benefits - the greater is paid

- **Child- care benefit**

Persons subject top mandatory state social insurance are entitled to receive child care benefit by the age provided for in legislation

Pursuant to decree of the President of Republic of Azerbaijan “On increase in the benefits granted to those who are on partially paid social leave for child – care, of August 23, 2013 No.3082, the amount of monthly benefit granted for caring the child aged 1,5 to those who are on partially paid social leave was fixed at 30 manats, and 15 manats for caring the child aged 1,5 - 3



**THANK YOU FOR YOUR
ATTENTION!**
