

Description of the situation

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State social insurance is one of social security fields that partially compensates former income for person who is making social insurance contributions if he/she has lost them in cases of certain social risks: retirement, unemployment, disability, loss of supporter, sickness, maternity leave as well as accidents or occupational disease.

General organizational and financial principles of state social insurance is regulated by the Law On State Social Insurance (effective as of January 1, 1998).

Law determines the circle of persons who must make social insurance contributions i.e. identify persons for whom social insurance is compulsory (employees, self-employed persons) and persons who can join the social insurance scheme voluntarily.

There are 6 types of social insurance for which either persons themselves or their employers make social insurance contributions: pension insurance, insurance against unemployment, insurance against work injuries and occupational diseases, disability insurance, maternity and sickness insurance and parental insurance. Persons are insured against those social risks which can actually set in, for instance, self-employed persons do not make social insurance contributions for unemployment and work injuries because they bear responsibility for their work conditions.

In order to ensure the continuity of social insurance length, separate groups of persons, for instance, receivers of maternity, paternity, child care or parental benefit, persons who receive unemployment benefit, unemployed disabled persons etc., are being insured from state core budget and social insurance special budget for pension, disability and unemployment.

Social contributions from personal income provides the right to receive social insurance services (pensions, benefits and compensations) besides the amounts of social insurance services are directly proportional to the income from which social insurance contributions are calculated.

From January 1, 2009, to December 31, 2013, the object of maximum social contributions is not determined i.e. persons must make social insurance contributions from the entire earned income within the mentioned period.

In 2016 the maximum social insurance contribution object is 48 600 euro (the Law "On State Budget 2016" section 64).

Cabinet of Ministers determine the minimum income from which social insurance contributions have to be made for the self-employed persons and persons who join social insurance scheme voluntarily. The minimum amount for employees is the minimum monthly wage (or hourly rate) as set in the state.

The untaxable minimum income for the purpose of the Personal Income Tax is maintained at the level of 235 euros per month (2820 euros per year) for the persons receiving a pension.

<https://www.lm.gov.lv/en/description-situation-1>