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### **Independent contractors' mandatory contributions to social security**

After many years of delays and uncertainty, finally entered into effect the new regulation that demands social security contributions from individuals who render services on an independent basis (i.e. without a tie of subordination and dependency). The starting point of this transformation is derived from the Chilean Social Security Reform that was enacted by former President Michelle Bachelet in 2008. The reform was mainly intended to introduce solidarity mechanisms oriented to provide minimum protection to the most vulnerable sectors of the population (i.e., elder, disable and extremely poor people, etc.). Among its various provisions, the reform introduced several amendments to align- from a social security perspective - the obligations of independent contractors with the obligations of dependent employees. This way, the reform aimed to address the lack of social protection to which independent contractors were exposed as a consequence of being excluded from social security regimes arising from dependent statutes.

According to Law No. 21,133, published in the Official Gazette on February 2<sup>nd</sup>, 2019, independent contractors whose annual wages in 2018 were equal or higher than five minimum monthly wages, are obliged to execute payments to social security no later than June, 2019, provided that they were at least 50 years old, if female, or 55 years old if male on January 1<sup>st</sup>, 2018. For these purposes, the Internal Revenue Service is mandated to deduct owed contributions from the independent contractors' tax refund, which are paid in the following order: (i) disability and survival insurance (as of 2021); (ii) worker's compensation; (iii) insurance for the accompaniment of children suffering serious diseases, (iv) health insurance, and (v) pension fund.

In any case, a 10-year transition term has been established in order to grant a partial contribution regime for those independent contractors who choose it. For these purposes, independent contractors will be allowed to decrease the basis on which their contributions are calculated. This way, they may opt to calculate their contributions on a basis capped at 5%, 17%, 27%, 37%, 47%, 57%, 70%, 80% and 90% of their annual affected incomes, as of the first year and progressively until the ninth year of effectiveness of the reform. Moreover, mandatory tax retentions will also increase progressively, from current 10% to 17% of their monthly fees.

It remains to be seen whether these new regulations will have a significant impact on decreasing inequity in Chilean workers' social protection, regardless their dependency status. For such purpose, an important shift on the independents' perspective will be crucial for them to assume liabilities arising from a safer working life.

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