

The Social Media Manager Career: Accounting, tax, and Social Security Framework for a Self-employed Person in Portugal

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Abstract: Purpose – The main goal of this paper is to understand the legal framework of the self-employed worker in the social media management area. Design/methodology/approach – The research uses the legal research method to analyse Portuguese legal resources such as the personal income tax law, the accounting law, and the social security law. Findings – The results show that a self-employed worker needs to pay attention to several legal commitments to fulfil all the obligations concerning the activity's development. This fact implies knowledge in all dimensions, mainly accounting, taxation, and social security. In the accounting domain, the Portuguese social media manager needs to know concepts related to the applied accounting system to recognise economic operations. The accounting legal framework can represent consequences in the tax sphere. The manager has two tax options in the personal income tax domain, according to the simplified regime and the organised accounting system. The second option implies that workers have an accountant to certify the activity accounts. In the social security domain, the law foresees a lot of legal obligations that are of frequent accomplishment, including the social security payment. Each scope has specific requirements that need to be observed and needs substantial knowledge that marketing people sometimes do not have, thus, it is frequent to recur to an accountant service to get help. This decision represents the increase of the context costs to the employee. The research of this case study evidences how the Portuguese tax system is complex and the difficulties the self-workers can feel when making-decision to develop the activity on their one.

Keywords: Accounting, Portugal, Social Media Manager, Social Security, Tax

1. Introduction

In recent years, social media management has been consolidated as a strategic activity in corporate communication, and it is relevant the world's population presence on these platforms. Despite its importance, this reality is still a challenge for many companies because it is necessary to manage relatively new channels which are constantly changing. Sector companies to follow the digital transformation launch new features, forcing the users to adapt constantly. For example, Instagram recently removed public viewing from the number of likes, or Facebook, in 2018, announced a change in the algorithm, giving more relevance to posts from personal profiles, to the detriment of corporate pages. To face these challenges, companies need specialised workers or use outsourcing services in social media management.

The main goal of this paper is to understand the legal framework of the self-employed worker in the social media management area. In particular, it seeks to analyse the accounting, tax and social security legal context of the self-employed social media manager (SMM). To achieve the goals, the study researches Portuguese legislation, especially accounting standards, personal income tax law, value-added tax, and social security dispositions.

Five sections compose this work, firstly, the introduction explains the reasons and objective for the study; second literature review and methodology; third, the research's results; after that, the discussion of findings; and finally, the concluding remarks.

2. Literature review and methodology

With the rapid development of the Internet, communication tools are no longer limited to traditional media (Hsu, Su, & Tsai, 2015). Companies have become aware of the rapid emergence of social media in recent years. Social media marketing has become an important field that demands attention, especially its changing marketing

strategies (Grazel & Openshaw, 2015). It is necessary to appoint a professional to manage a company's social media platforms to attract consumers.

Hsu et al. (2015) develop a two-part model to assist employers in choosing the ideal SMM. The first part derives criteria for choosing a social media manager by conducting a thorough literature review and using the modified Delphi method. The second part applies the analytical hierarchy process to calculate and identify the most suitable social media manager by ranking candidates according to the relative weights of the evaluation criteria. In addition, a famous restaurant chain in Taiwan is used as an example to demonstrate how a social media manager is selected by applying this model. The results show that companies emphasise social networking capabilities, professional skills, innovation, personal characteristics, and social skills.

Lovari and Materassi (2021) investigate the role of social media managers as trust mediators and access points in the local government context. The researchers adopt a qualitative methodology, using semi-structured in-depth conversations with a selected panel of PR professionals managing media channels on behalf of eleven Italian municipalities. SMMs are aware of having a key role in creating trust, and trust is a design value of their work. Lovari and Materassi (2021) show many "trust signals" that SMMs consider relevant to foster trust in the digital ambient and relations with citizens within the municipal context.

In this conceptual background, this study aims to answer one question: What kind of legal questions a self-employed person in the social media area needs to fulfil? In order to answer the research question, legal structures of Portuguese jurisdiction were investigated, namely, the accounting normalization system - *Sistema de Normalização Contabilística* (SNC), the personal income tax law - *Imposto sobre o Rendimento das Pessoas Singulares* (IRS), Value added tax - *Imposto sobre o Valor Acrescentado* (IVA), and finally, social security law - *Regime Contributivo da Segurança Social* (SS).

3. Results: Development of activity as a self-employed person

3.1 Accounting framework

In Portugal, the accounting system, which is being applied, was approved by the decree law n.º 158/2009, and it is underpinned in the accounting legislation adopted by the European Union, in particular International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) (Kieso, Weygandt, & Warfield, 2020). This system has been in force since 2010 and is applied to Portuguese companies (Aldeia, 2021). Nevertheless, individuals are exempt from organising the financial information according to the SNC from the provisions of Article 3 in the case of a net turnover not exceeding €200,000 on average over the last three years (Borges, Rodrigues, & Rodrigues, 2021). Although there is this exemption, self-employee should maintain the economic operations record because it is essential for tax determination purposes, such as IRS and IVA. Thus, the worker can opt for the adoption of the accounting standards' application (J. Rodrigues, 2021).

The SNC foresees 28 accounting standards¹ that clarify each accounting topic's specific application. Other than these rules, the SNC also approved two accounting and financial reporting standards - *Normas de Contabilidade e de Relato Financeiro* (NCRF), which allow the simplification of the accounting process applied to medium and small entities. The accounting standard for small companies can be one of the standards adequate for adoption by the self-employed person. In that case, the entity recognises each accounting standard element, namely, incomes, expenses, assets, liabilities and equity. These elements are essential to prepare the primary financial statements, particularly the financial position and comprehensive income statements.

¹NCRF 1 - Structure and Content of Financial Statements; NCRF 2 - Cash Flow Statements; NCRF 3 - First-time Adoption of Accounting and Financial Reporting Standards; NCRF 4 - Accounting Policies, Changes in Accounting Estimates and Errors; NCRF 5 - Related Party Disclosures; NCRF 6 - Intangible Assets; NCRF 7 - Property, Plant and Equipment; NCRF 8 - Non-Current Assets Held for Sale and Discontinued Operations; NCRF 9 - Leases; NCRF 10 - Borrowing Costs; NCRF 11 - Investment Property; NCRF 12 - Impairment of Assets; NCRF 13 - Interests in Joint Ventures and Investments in Associates; NCRF 14 - Business Combinations; NCRF 15 - Investments in Subsidiaries and Consolidation; NCRF 16 - Exploration for and Evaluation of Mineral Resources; NCRF 17 - Agriculture; NCRF 18 - Inventories; NCRF 19 - Construction Contracts; NCRF 20 - Revenue; NCRF 21 - Provisions, Contingent Liabilities and Contingent Assets; NCRF 22 - Grants and Other Support from Public Entities; NCRF 23 - The Effects of Changes in Foreign Exchange Rates; NCRF 24 - Events After the Balance Sheet Date; NCRF 25 - Income Taxes; NCRF 26 - Environmental Matters; NCRF 27 - Financial Instruments; and finally, NCRF 28 - Employee Benefits.

3.2 Taxation framework

3.2.1 Income tax

In the personal tax domain, the self-employer is a taxpayer who qualifies as a tax resident in Portugal, thus, the income obtained in the activity is taxed in the IRS sphere (Esteves, 2019). Being a resident of Portugal, this person also pays taxes on Portuguese income and foreign-sourced income. As these incomes are earned under an outsourcing contract, they are classified as category B (business and professional income) because they are earned by an independent professional (Pereira, 2019). In this case, there is no subordination of the self-employer to the client, such income should, as a general rule, be classified under category B (Catarino & Guimarães, 2021). These service providers should register their activity with the Tax Administration and issue invoices for the services they provide, and are taxed at general and progressive rates. Additionally, depending on the turnover, such professionals may be subject to the simplified regime or organised accounting regime (Cupertino, 2005). There is significant difference between the two methods. In the first method the taxable income is determined based on coefficients. In contrast, the second one considers the net profit calculated under the accounting standards and corrected according to the rules of the IRS, which references the corporate income tax law - Imposto sobre o Rendimento das Pessoas Coletivas (CIRC).

The simplified regime is the most common option for the taxation of income of individual companies, and this regime is assigned by default by the Tax and Customs Authority at the moment of informing of the beginning of activity (Catarino & Guimarães, 2021). This regime is ideal for smaller and less complex activities, as it is the case of the self-employed social media manager. This method does not allow the deduction of expenses related to the activity, however, there are fewer tax obligations and extra expenses. To benefit from this regime, it is necessary to fulfil some requirements, for example: (1) be a taxable person resident in Portugal, (2) not be legally obliged to have statutory audits, (3) have an annual gross income of fewer than 200 thousand euros, and (4) to have a balance sheet for the previous tax period of fewer than 500 thousand euros. Taxation under these assumptions has advantages and disadvantages, the main positive aspects are: (i) there is no obligation to hire a certified accountant and (ii) it does not imply as many obligations as the organised accounting regime nor additional expenses. The main disadvantage is that it is impossible to deduct expenses since the Tax Authority considers that 75% of the income obtained is net and the remaining 25% corresponds to expenses. About 75% of the declared income is considered for taxation purposes (Faustino, 2017), the remaining 25% are considered specific expenses of the activity and, therefore, are tax-free. Thus, business expenses such as travel and acquisition of goods are not declared. The simplified regime is characterised by the taxation of earned income by applying coefficients, that in this case, rendering services from the list of professional activities is 75%².

3.2.2 Value-added tax law

In the Value Added Tax domain, a social media manager can also be a taxpayer according to its framework in the IVA sphere (Lança, 2012). The legal framework depends on the annual turnover, the independent worker can benefit from an exemption or be a taxpayer with general obligations, as are large companies (Lima, 2003). The exemption from VAT is foreseen in article no. 53 of IVA law, this legal disposition determines that when the entity has an annual value of services provision of fewer than 13,500 euros, it can be exempt. It states that an individual does not assess IVA to its customers and can not deduct the VAT that pays in the activity's expenses (Palma, 2011).

If an annual turnover exceeds 13,500 euros, the self-employed person is framed in the VAT general regime. It means that the worker receives the VAT amount directly from the company and the payment for the services. Periodically, independent prepare and submit the VAT statement, which involves the VAT received from the customers and the VAT paid in the goods and services acquisition (Carrapiço, 2022). In other words, the company pays the VAT amount to the employee, and the employee later hands it over to the State. Social media manager

² Article 151 of the IRS.

services are subject to a VAT rate of 23%, and the employee must mark this charge on the invoice to receive the corresponding amount from the company.

The VAT declaration is monthly or quarterly, depending on the employee's turnover. Those who receive less than 650,000 euros per year can be on the quarterly statement regime. When the annual amount of services provided exceeds that limit, the legal obligation becomes monthly (Nabais, 2021).

Generally, the quarterly VAT return must be filed by the 15th of the second month following the quarter to which the services relate, except the second quarter statement because of the holiday period. It means that the statement for January, February and March should be delivered until May 15th; the same for the third and fourth trimesters, which should be delivered until November 15th and February 15th, respectively. The declaration of April, May and June should be submitted by August 15th, nevertheless, recently, the State Budget 2023 stated a new feature, the deadline for the submission of the second quarter would be extended from August 20th to September 20th, and the payment can be made until September 25th.

4. Social security

The framework on social security depends on the legal framework in the Tax Authority in the personal income tax domain, in particular, it depends on the option for a simplified regime or organised accounting regime. The organised accounting regime foresees that the relevant income corresponds to the taxable income value ascertained in the preceding calendar year (Conceição, 2020). Thus, the rules establish that in the simplified regime, the determination of the net income relevant for social security purposes considers 70% of the total value of the provision of services (ISS, 2018). The amount of services provided is calculated based on the income obtained in the three months immediately before the month of the Quarterly Statement (A. Rodrigues, 2020).

The contribution obligation of the self-employed comprises (i) the payment of contributions, (ii) the Quarterly Declaration of the values corresponding to the activity performed, and finally, (iii) the Annual Activity Statement, the annexe SS to IRS Statement (Carrapiço, 2022). The same way that every quarter taxpayer is required to declare the total value of income associated with the provision of services and other income necessary for calculating relevant income. Consequently, this declaration is made by the last day of April, July, October and January for the income obtained in the three immediately preceding months. Each January, even if the independent worker is not subject to the obligation to pay taxes, worker must declare the amounts earned in the previous calendar year. Generally, the contribution rate for independent workers is 21.4%.

5. Discussion

A survey of the entrepreneur's monthly obligations was made, and the following table was constructed:

Table 1: Legal obligations of the self-employed person

Legal obligation	JAN	FEB	MAR	ABR	MAI	JUN	JUL	AGO	SEPT	OUT	NOV	DEC
SAFT delivery (communication of income to finance)	8	8	8	8	8	8	8	8	8	8	8	8
IRS Declaration						30						
Payment of IRS								31				
Confirmation of invoices for IRS		25										
Confirmation of household for IRS		15										
Payments on Account							20		20			20
VAT declaration		20			20				20		20	
Payment of VAT		25			25				25		25	
Social Security Payment	20	20	20	20	20	20	20	20	20	20	20	20
Social Security Quarterly Statement	31			30			31			31		

The analysis of Table 1 allows understanding the several legal obligations that the independent assume when deciding to develop the activity. 43 fiscal requirements which need to be fulfilled during to fulfil during the one

year of the activity's development can be identified. This aspect implies spending time accomplishing all requirements or hiring accounting or tax advisory services, consequently, additional costs. In Portugal, social media managers are subject to IRS taxation in their personal sphere, the income earned from the activity is considered the basis for applying the personal income tax. These professionals are not exempt from taxation but should pay taxes under their ability to pay. In the case of concealment of such income, the tax authorities have mechanisms to control anomalous tax situations, including those of an administrative offence or criminal nature. These mechanisms for taxing unjustified wealth and asset increases are based on indirect assessment methods. The legislator shifts the burden of proof to the taxpayer, who need to demonstrate that did not earn the income that the law allows the Administration to presume.

6. Conclusions

This paper seeks to understand the Portuguese legal context of the self-employed person in the social media area. The findings allow understanding that social media activity requests knowledge in different areas, which consumes time for the services provider. Accounting, tax, and social security dimensions impose several legal rules that involve relevant penalties when they are not fulfilled. Depending on the annual turnover, the independent can address accounting, fiscal and social security obligations on your own or recurring to specialised service. In the cases of the lower annual amount of provided services, independent workers solve all the questions without professional help, nevertheless, it requires technical knowledge that sometimes manager does not have, therefore incurring in additional costs. When annual turnover reaches higher values, the law requires the legal intervention of a certified accountant.

The study highlights various aspects of the tax and accounting sphere in the development of the activity. It would be important to research the legal obligations to be observed that fall outside the tax field, such as, the obligations to be fulfilled when opening a physical store for the sale of digital equipment, providing advisory services or even training in the area. The fact that the study analyzes the Portuguese accounting and tax framework is a limitation, a comparative study with other tax systems would be relevant.

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