



# Covid-19: Simplified Lay-off and incentives to normalize the activity

*On the one hand, companies can benefit from the simplified lay-off regime for another month, and an extraordinary financial incentive is also created to normalize the activity; on the other, employees are compensated for their reduced income.*

## ✉ Contacts

Guilherme Dray  
gdray@macedovitorino.com

Joana Fuzeta da Ponte  
jfuzetadaponte@macedovitorino.com

Following the measures adopted in the context of the COVID-19 pandemic, the Portuguese Government approved new rules (Decree-Law nr. 27-B/2020, of 19 June):

### **Fast Track Lay-off**

- Extension of the simplified lay off regime, provided for in Decree-Law n.º 10 G/2020, of 26 March for companies that have used the simplified lay off and reached the 3 month renewal limit, until July 31;
- Application of the same regime of the simplified lay-off, as of August 1, only for companies and establishments whose activity is suspended by legal or administrative imposition of a governmental source; and
- Application of the current simplified lay-off regime to companies that have not yet applied to this regime, and may only submit the initial application until June 30, with the possibility of a monthly extension up to a maximum of 3 months, that is, until September 30.

Benefiting from the simplified lay off regime, companies that are in one of the above-mentioned situations benefit from Social Security payment exemption, under the terms established in Decree-Law 10 G/2020, of 26 March.

### **Stabilization subsidy**

- Support is given to employees with an income of up to two minimum wages in February and who have suffered a loss of basic wage, i.e. who have a basic wage higher than one minimum wage, and who have been lay off in one of the months between April and June;
- Payment of support in a lump sum in July, considering the constant amounts of wages delivered up to July 15, 2020; and
- Payment is made by Social Security automatically and unofficially, being variable between the minimum amounts of €100.00 and the maximum amount of €351.00.

### **Extraordinary financial incentive to normalize the activity**

- Creation of an extraordinary financial incentive for the normalization of activity for companies that are in a position to resume their activity, provided that they have benefited from the simplified lay-off regime or the extraordinary training plan provided for in Decree-Law nr. 10-G/2020 of 26 March;
- Possibility for the employer to opt for one of two modalities to which this support corresponds:
  - a) Support in the amount of a national minimum wage (635.00), paid in one lump sum, for each employee who has been covered by the simplified lay-off; and
  - b) Support in the amount of two minimum wages (€1,270), paid in two instalments over six months, for each employee who has been covered by the simplified lay-off.

Opting for the measure enshrined in point b) (€1,270), the employer also has direct exemption from payment, at 50%, of the Social Security contribution, for employees who were covered by the lay-off in the last month of the support. However, when the last month of application of the simplified lay off is July, the number of employees to be taken into consideration for the purpose of the said exemption will be that of the lay-off application for the month of June.

The employer who opts for the support referred to in paragraph b) (€1,270), also benefits from the right of total exemption from the payment of Social Security contributions in the three months following the end of the support, when he has at his service employees, on open ended contract, in a higher number than that observed, on average, in the three homologous months. The exemption refers only to those new employees hired, and the employer is subject to the duty to maintain the employment level for a period of 180 days.

The new law also clarifies some rules regarding the possibility/impossibility of accumulation of support, namely:

- Impossibility of cumulation of the regime of simplified lay-off and support for the gradual resumption of activity;
- Possibility of using the support for the gradual resumption of activity after the end of the simplified lay-off regime;
- Possibility of using the reduction or suspension measures provided for in the Labor Code ("traditional" lay-off) after the end of the simplified lay-off regime;
- Impossibility of accessing support for the gradual resumption of the activity, the employer having previously resorted to the extraordinary incentive to normalize the activity.

The Portuguese Government will also enact a new law, to create the rules for the new fast track lay-off regime to be applied from 1<sup>st</sup> August, which will only allow the reduction of the normal working period, without the possibility of suspension of the employment agreements.

*This information is provided for general purposes only and does not constitute professional advice*