



## Covid 19: New "Simplified Lay-Off".

Following the measures adopted in the first months of the COVID-19 pandemic, the new "Simplified Lay-Off" was approved by the Portuguese Council of Ministers, now dubbed as "support to employment in the resume of activity".

*The new support allows the reduction of working hours, but not the suspension of employment contracts, and is adjusted according to the company's invoicing decrease.*

The new bill creates an extraordinary support for the gradual resume of business activity for companies, in a business crisis situation, through a temporary reduction of the normal working period.

The new measure applies to private employers, including employers in the social sector who see themselves in business crisis.

The requirements to access are the following:

(i) Business crisis situation:

(a) drop in turnover of 40% or more in the full calendar month immediately preceding the initial application for support or extension, when compared to the same month of the previous year or compared to the monthly average of the two months preceding that period; or

(b) for those who started the activity less than 12 months ago, when compared to the average monthly billing between the start of the activity and the penultimate complete month before the calendar month to which the initial request for support or extension refers.

(ii) Documents:

The employer will have to submit an electronic form, on the website of the Portuguese Social Security (Segurança Social Direta), as the business crisis situation is certified by statement of the employer, alongside with the certificate of the certified accountant of the company. The form will also be accompanied by a nominative list of workers to be covered.

(iii) Tax and social security situation up to date:

The employer must have, verifiably, their tax and contributory situation up to date before the Social Security and the Tax and Customs Authority, authorizing the online consultation of their tax situation with the Tax and Customs Authority.

(iv) Maximum limits and reduction of the normal daily work period:

Between August and September, the new support will be assigned in a differentiated way according to the invoicing breakdown: (a) a reduction of up to 50% in the working hours may take place in the event of a drop in revenue of 40% or more; (b) a reduction of up to 70% in the working hours may take place in the event of a drop in invoicing of 60% or more.

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Between October and December: (a) a reduction of up to 40% in the working hours may take place in the event of an invoicing break of 40% or more billings; (b) a reduction of up to 60% in the working hours may take place in the event of a drop in invoicing of 60% or more billings.

(v) Amount:

The amount of this support matches the salary of the worker covered by the reduction, calculated proportionally to the hours of work provided.

The worker is also entitled to a monthly compensation payment, with a maximum limit of 3 Minimum Monthly Salary, that is, up to €1950,00, paid by the employer, in the amount of (a) 2/3 of his normal illiquid remuneration corresponding to hours not worked, in the months of August and September 2020; and (b) 4/5 of his normal gross remuneration corresponding to hours not worked, in the months of October to December 2020.

In the case of companies with a turnover shortfall of between 40% and 70%, employers are responsible for paying in full for the hours worked and 30% for a variable part of the hours not worked (66% between August and September and 80% between October and December), with “Segurança Social” also paying a portion of the latter (70% of the 66% and 80% respectively).

In the case of companies with a loss of income above 75%, an additional support is given for the payment of hours worked, corresponding to 35% of normal gross remuneration.

(vi) Duration:

The initial length of this incentive is one month. It may, however, be extended exceptionally, monthly, until 31 December, 2020. The interruption of the temporary reduction, with the respective suspension of the support, does not affect the possibility of its extension, which may be requested in non-consecutive months.

(vii) Notice to workers:

The employer has to communicate in writing to the workers covered about the decision to access the new support, the percentage of reduction in working hours and the expected duration of the implementation of the measure. In case of there being trade union representatives and/or workers' committees, the communication must be preceded by their hearing.

(viii) Total and partial exemption from payment of social security contributions:

The employer benefiting from the new aid is entitled to total exemption or partial waiver of the payment of the employer's contributions in respect to the remuneration and compensation due to the employees covered, as well as regarding the remuneration of managers and directors or members of equivalent statutory bodies. When this aid comes to an end, companies may resort to other measures to reduce or suspend work, in agreement with the "normal" lay-off regime provided for in Article 298 of the Portuguese Labor Code. On the other hand, companies that benefit from the extraordinary incentive to normalize business activity can not access the new support, as well as companies that are simultaneously benefiting from the "Simplified Lay-off" scheme.