MACE DO VITO RINO

UPDATE ON THE MEDIUM-TERM AGREEMENT WITH SOCIAL PARTNERS

The Agreement reinforces the commitments made in the 2022 Agreement and creates measures to improve people's disposable income and companies' competitiveness.

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The Portuguese government and some of the social partners (the Union Confederation - CGTP and the Industrial Companies Association – CIP, were left out) signed a "Reinforcement of the Medium-Term Agreement to Improve Incomes, Wages and Competitiveness" ("Reinforcement") within the context of the Standing Committee on Social Dialogue of the Economic and Social Council.

The purpose was to update the list from the 2022 Agreement, establishing specific goals and measures in the areas of labour and taxation. In general, the goals are aligned with the government's policy guidelines in this area and will also have an impact on companies. We highlight the following:

(A) Salary increases and other benefits

(i) 5% nominal increase in remuneration per employee by 2024;

(ii) Increase of the minimum monthly wage ("RMMG") to €820 for 2024;

(iii) Gradual reduction in Personal Income Tax ("IRS") and updates to the tax classes;

(iv) 100% increase in the deduction of union contributions from IRS;

(v) Increases in travel allowances to: (i) €0.40 per kilometre for personal vehicle usage; (ii) €62.75 for domestic/national travel; and (iii) €148.91 for international travel;

(vi) Tax incentives for employers providing housing for employees;

(vii) Exemption of amounts allocated to the Labour Compensation Fund ("FCT") for tax and contribution purposes;

(viii) Establishment of a mechanism for a phased and progressive exit from the labour market before the legal retirement age, allowing part-time retirement to be combined with income from work to facilitate the sharing of intergenerational knowledge; and

(ix) Development of a strategy to address challenges arising from the ageing of the workforce.

(B) Employers

(i) Strengthening contractual tax benefits for productive investment to promote the attraction and retention of highly qualified employees by extending the scope of eligible expenses to the wage costs of employees holding qualifications equal to or higher than a master's degree;

(ii) (i) Reviewing and simplifying the Salary Enhancement Tax Incentive by: (i) Extending eligibility; (ii) Including non-negotiated instruments of collective regulation (extension and working conditions ministerial ordinances) during 2023 and 2024; (iii) Reference to the salary enhancements supported by the employer as long as it is covered by negotiated instruments of collective regulation (collective bargaining agreements) celebrated less than 3 years ago;

(iii) Introducing a measure to support job retention in sectors vulnerable to seasonality, in order to reduce the intermittency of employment relationships and the associated unemployment, by providing certified vocational training during inactive periods;

(iv) Aligning the taxation of independent contractors more closely with employment taxation for service providers economically dependent on the contracting entity.

(C) Administrative simplification and contextual costs

(i) Establishing a One-Stop Shop for Employees and Companies to encompass all matters related to employment, training and social security, through a partnership between the Institute for Employment and Professional Training (IEFP), the Social Security Institute (ISS) and the Authority for Working Conditions (ACT), which will include online services;

(ii) Social Security payment slips will now be valid until the payment deadline;

(iii) Employers no longer need to notify Social Security when an employee becomes a pensioner; and

(iv) The procedures for reporting the posting of employees abroad will be revised.

The Reinforcement does not specify implementation dates for most of the measures outlined, although some are already reflected in the proposed State Budget for 2024.