

PORTUGAL

Relevant changes on the labour environment resulting from the State Budget Law for 2017

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Law 42/2016 of 28th December approving the 2017 State Budget Law (BL 2017) was published on the Official Gazette yesterday.

In what concerns the labour environment, BL 2017 introduces a couple of modifications which shall have an immediate impact as from 1st January 2017 on the daily management of private companies: (i) the reinstatement of the duodecimal payment of the Christmas and vacation allowances and (ii) the review of the meal allowance payable to public servants (which is relevant for the calculation of the meal allowance personal income tax and social security contributions' exemption threshold).

1) Payment of the Christmas and vacation allowances under a duodecimal regime

The BL 2017 sets out the following terms on Christmas and vacation allowances:

- a) Payment of 50% of the vacation allowance before the vacation period commences;
- b) Payment of the remainder 50% of the vacation allowance under a duodecimal regime during the course of the year;
- c) Payment of 50% of the Christmas allowance as of 15 December;
- d) Payment of the remainder 50% of the Christmas allowance under a duodecimal regime during the course of the year;
- e) This regime may be set aside by the employees who so expressly declare as of 6 January 2017;
- f) This regime is only applicable to employees under an open ended employment contract. For employees hired under a fixed term contract or agency employees who wish to benefit from this regime the employers' consent is required;
- g) The absence of the application of this regime constitutes a very serious administrative misdemeanour.

II) Review of the Meal Allowance

The meal allowance for public servants will be increased to €4.52 as from 1 January 2017 and subsequently to €4.77 as from 1 August 2017.



During 2017, the meal allowance payable to employees in money shall be taxed under personal income tax and subject to social security contributions insofar as it exceeds the January threshold – €4.52.

In the event the meal allowance is paid through meal vouchers, the same shall be taxed under personal income tax and pay social security contributions to the extent it exceeds the €7.23 threshold.