



## LEGAL ALERT

20 December 2023

### Changes to the legal framework of FCT and FGCT

On the 15th of December, 2023, the Decree-Law no. 115/2023 was published and came to change the legal framework of the Work Compensation Fund (FCT) and the Warranty Work Compensation Fund (FGCT).

This diploma arises following the suspension of said regimes upon the entry into force of the Decent Work Agenda, as of the 1st of May, 2023.

#### Conversion of the FCT in a closed accounting fund

The FCT is converted into a closed accounting fund, aiming to (i) support the costs and investments with the employees' housing, (ii) finance the qualification and certified training of the employees, (iii) support investments made upon agreement of employers and the representative structures of the employees (daycares and cafeterias) and (iv) pay up to 50% of the compensation due to the termination of the employment agreements of employees signed in the FCT.

#### Extinction of obligations of employers with the FCT

This diploma establishes that employer no longer have to join the FCT, sign up new employees and pay the respective contributions.

#### Employers' current account in the FCT

With the conversion of this fund and the extinction of the obligations referred to herein, we clarify that the money delivered to the FCT is still of the employers which made the correspondent contributions.

While it is certain that the debts that the employers with the FGCT will be deducted from the employers' current accounts, employers may request total or partial reimbursement of their current balance, for which it is required the observance of certain administrative conditions, so long as such reimbursement aims to fulfil the objectives set forth before (financing qualification, etc.).

#### Impacts of the new regime in the FGCT

Although the FGCT is maintained as a warranty mechanism for the employees' rights to receiving, in effect, half of the amount of the compensation due to the termination of the employment agreement, this fund also comes impacted with this new legal framework.

We thus highlight the suspension of the obligations of registration of new employees (which will be now ensured directly by the Social Security, upon the communication of admission of the employee in this service) and of payment of contributions to the FGCT.

The suspension of this obligation takes place during the period of effect of the Mid-term Agreement for the improvement of income, salaries and competitiveness (i.e. up to 2026).

We further clarify that the obligation to adhere to the FGCT is still in force for new employers.

## Entry into force

This decree-law shall enter into force on the 1<sup>st</sup> of January, 2024.

For more information on this subject, please contact:



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