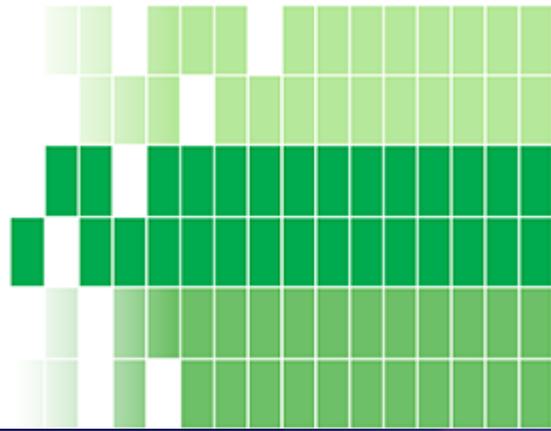




Legal News

KPMG in Bulgaria



## Working in times of COVID-19

### **New rules regarding the 60/40 mechanism and other measures to promote employment**

July 2020

#### **Extension of the 60/40 mechanism**

#### **Compensations for natural persons and legal entities directly affected by the state of emergency**

#### **The “Employment for you” project**

#### **How can we help?**

New measures aimed at overcoming the negative impact of the epidemic on employers, employees and self-employed persons are introduced as of July 2020. The measures are part of the “Employment x3” package, which includes: (i) extension of the period of application of the 60/40 mechanism which will continue to apply in a modified form, (ii) payment of compensations to employers and self-employed persons from economic sectors and activities directly affected by the state of emergency and (iii) the “Employment for you” project designed to promote hiring of unemployed persons.

Below is an overview of the nature of the new measures as well as the conditions and procedure for application.

#### **Extension of the 60/40 mechanism**

A new Council of Ministers Decree No 151 dated 3 July 2020 was published in the State Gazette, issue No 60 dated 7 July 2020. The decree becomes effective as of 1 July 2020 and provides for an extension of the 60/40 mechanism for the period from 1 July 2020 until 30 September 2020.

The payment of funds under the new decree will start once the European Commission has issued a resolution stating that the measure is compatible with the internal market.

The decree provides for changes in the conditions for application. The range of employers entitled to apply for receipt of funding is extended to include employers performing certain types of activities in the sectors of “Education” and “Human health and social activity” as well as municipal enterprises, units and other organizational municipal structures.

The categories of employees for whom funding may be received are also changed. These categories now include: (i) employees whose work was suspended or whose working hours have been reduced during the period of the state of emergency or the epidemic emergency situation, (ii) employees who were on leave during said period on the grounds of Art. 173a of the Labor Code, (iii) employees whose employment was maintained following a notification for collective redundancy filed by the employer in the period from 13 March until 30 June 2020 and (iv) employees who are not included in the above categories and who are employed in the sector of "Accommodation and food service activities".

As per the decree employers may not receive funds regarding employees for whom funding is already being received from the state budget, the European structural and investment funds or other public funds provided that the total amount of the funding received exceeds 80% of the employees' insurance income and social security contributions borne by the employer.

Employers should be able to prove at least 20% decrease in revenue and should not have any public obligations for payment of tax and social security contributions for the period before 1 January 2020. The remuneration paid to the employees for whom funding is received should be no less than their insurance income for May 2020.

In addition, there are changes with regard to the application documents which should be submitted.

The requirements effective as to date related to preserving employment, including that of the employees for whom employers have not applied for funding, will continue to apply.

The funds provided to employers under the mechanism will amount to 60% of the respective employees' insurance income for May 2020 and the social security contributions borne by the employer.

Funding may be received for the full period from 1 July 2020 until 30 September 2020 or only for part of that period.

Employers in the "Accommodation and food service activities" sector may apply for funding under more favorable terms.



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### **Compensations for natural persons and legal entities directly affected by the state of emergency**

The second measure for preserving employment involves the payment of compensations to employers and self-employed persons from economic sectors and activities directly affected by the state of emergency and the anti-epidemic measures implemented in this regard. The conditions and procedure for receipt of compensations are prescribed in Council of Ministers Resolution No 429 dated 26 June 2020. The payment of compensations will start once the European Commission has issued a resolution stating that the state aid is compatible with the internal market.

Employers performing different types of activities in the area of transport, tourism, accommodation and food services are eligible for receipt of compensations under this measure. The conditions for application are to a great extent identical to the ones applicable with regard to the 60/40 mechanism which are mentioned above. There is no requirement for the respective employees to fall under one of the above categories.

The compensations for each employee amount to BGN 290 per month and will be paid on a full-month basis starting from 1 July 2020. Compensations may be received for a period of no more than 6 months.

Self-employed persons exercising a craft, freelancers as well as sole proprietors engaged in the above activities may also apply for receipt of funding.



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## The “Employment for you” project

The third measure involves granting of funds to employers for the purpose of hiring of unemployed persons. All employers are eligible for receipt of funding regardless of the nature of their activity. However, employers performing activity in the area of accommodation, food services and tourism have priority.

The funds which may be received under this measure amount to the minimum salary and the social security contributions due on this amount and borne by the employer for a period of no more than 3 months.



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## How can we help?

The team of KPMG remains at your disposal for any inquiries or need of assistance you may have related to the interpretation and application of the new employment promotion measures.



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## For information

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