PRACTICAL GUIDE

COMPENSATORY BENEFITS FOR HOLIDAY PAY, CHRISTMAS BONUS OR SIMILAR PAYMENTS

INSTITUTO DA SEGURANÇA SOCIAL, I.P.

TECHNICAL FILE

TITLE

Practical Guide – Compensatory Benefits for Holiday Pay, Christmas Bonus or similar payments

(5004 – v4.21)

OWNERSHIP

Instituto da Segurança Social, I.P. (Social Security Institute, P.I.)

AUTHOR

Benefits and Contributions Department

PAGINATION

Communication and Customer Management Department

CONTACTS

Social Security Line: +351 210 545 400 | +351 300 502 502, business days from 9:00 a.m. to 6:00 p.m.

Appointments line: +351 210 548 888 | +351 300 088 888, business days from 9:00 a.m. to 6:00 p.m., for personalised service, and 24 hours a day, 7 days a week for automatic service.

Site: www.seg-social.pt

PUBLICATION DATE

23 October 2026

TABLE OF CONTENTS

A – What is it? 4
B – Who is entitled? 4
C – What are the entitlement conditions? 4
C1. In illness situations 4
C2. In parental protection situations 4
D – How much will I receive? 5
D1. How much will I receive? 5
D2. How can I receive it? 5
D3. How to register or change the IBAN (International Bank Account Number) 5
E – How to apply 6
E1. Where to apply 6
E2. Which forms must be completed? 6
E3. Time limit to apply 6
F – Can the Compensatory Benefits be cumulated with other benefits? 6
F1. The Compensatory Benefits can be cumulated with: 6
G – Supporting documentation 6
G1. Applicable legislation 6
H - Glossary 7
I – Frequently Asked Questions 7

The information contained in this practical guide does not waive the consultation of the law.

A – What is it?

It is a **cash payment** intended to compensate for the Christmas Bonus, Holiday Pay, or other similar payments that the employee did not receive, either in part or in full, from the employer, because he/she was unable to work due to illness or parental leave, for which he/she received benefits for 30 or more consecutive days.

B – Who is entitled?

- Employees;
- Members of statutory bodies, provided that their entitlement to the respective benefits is proven and all the other entitlement conditions are fulfilled.

Note: If the person entitled to Compensatory Benefits has died without claiming them, the family members entitled to Death Grant may request the Compensatory Benefits within the established time limit for the respective application submission.

C – What are the entitlement conditions?

C1. In illness situations

You are entitled to Compensatory benefits if you **fulfil all of the following conditions:**

- you have been on sick leave and receiving the Sickness Benefit, and as a result, did not receive (or only partially received) Holiday Pay, Christmas Bonus, or other similar payments;
- the duration of the illness was sufficient to suspend the employment contract, according to the Labour Code;

  Note: A contract suspension occurs when the person is on sick leave for 30 or more consecutive days, or before that time limit, if it is foreseeable that the medical sick leave will last more than 1 month.
- the employer has neither paid nor was obliged to make the payment of Holiday Pay, Christmas Bonus, or other similar payments, in accordance with the Labour Code or a collective labour agreement.

C2. In parental protection situations

During parental leave, the payments of Holiday Pay, Christmas Bonus, or similar payments must be made by the employer. However, Holiday Pay or other similar payments may be proportionally reduced based on the leave duration and a Compensatory Benefit may be applicable.

You are entitled to Compensatory benefits if you **fulfil all of the following conditions:**

- you have been on parental leave and receiving the respective allowance (even if working in part-time) and, as a result, did not receive (or only partially received) the Christmas Bonus or other similar payments;
- the duration of the leave was equal to or higher than 30 consecutive days in the respective year;
- the employer has neither paid nor was obliged to make the payment of Holiday Pay, Christmas Bonus, or similar payments, in accordance with the Labour Code or a collective labour agreement.

Note: If the parental leave occurs after a prolonged illness that resulted in a contract suspension, Social Security may pay the Compensatory Benefit for Holiday Pay:

- in full, if the person concerned does not return to work within that year;
- proportionally, if he/she returns to work in the same year.

For more information, please consult section I – Frequently Asked Questions.

D – How much will I receive?

D1. How much will I receive?

The amount to be received corresponds to:

- **60% of the value of the Holiday Pay and Christmas Bonus** that the employer did not pay and was not obligated to pay, in cases where the employee was ill and receiving **Sickness Benefit**, or
- **80% of the value of the Holiday Pay and Christmas Bonus** that the employer did not pay and was not obligated to pay, in cases where the employee was receiving **parental allowances**;

Notes:

- if the employee was on **parental leave** while working **part-time**, the **80%** applies only to the period of leave covered by the allowance, i.e., in that period, the employee will receive **80% of half** the value of the Holiday Pay and Christmas Bonus;
- if the employee was on **leave to care for a child with a disability or chronic illness**, the Compensatory Benefit value **cannot exceed €1,074.26,** which corresponds to 2 times the Social Support Index (*Indexante dos Apoios Sociais* - IAS) value, which in 2026 is equal to €537.13).

D2. How can I receive it?

There are **2 modalities** of payment of the Benefit. The payment can be made

- by bank transfer, or
- by postal order issued by the Portuguese postal services (CTT) to your address.

D3. How to register or change the IBAN (International Bank Account Number)

1. Through the Social Security Portal

You can register or change the IBAN through the Social Security Portal, after authentication, in the menu *Perfil* (Profile) > *Conta bancária* (Bank Account) > *Consultar e alterar conta bancária* (Consult and change bank account details).

2. At the Social Security Customer Information Services

To register or change the IBAN, you must complete the form MG 14 - *Requerimento de Registo ou Alteração de IBAN* (Application for IBAN Registration or Change) and attach a bank document confirming the IBAN, which must include the name of the person submitting the application or the person entitled

to **Compensatory Benefits for Holiday Pay, Christmas Bonus or similar payments**, as the account holder.

Note: The IBAN will be pending validation by Social Security. Once confirmed, a notification will be sent to your inbox in the *Mensagens* (Messages) menu.

E – How to apply

E1. Where to apply

- Preferably, through the Social Security Portal, in the menu > *Doença* (Sickness) > *Cuidados na doença* (Care in Illness)> *Prestação Compensatória dos Subsídios de Férias e Natal* (Compensatory Benefit for Holiday Pay and Christmas Bonus); or
- In the menu > *Trabalho* (Work) > *Cuidados na doença* (Care in Illness) > *Prestação Compensatória dos Subsídios de Férias e Natal* (Compensatory Benefit for Holiday Pay and Christmas Bonus); or
- At any Social Security Customer Information Service;
- By mail, to the District Centre of your residence area.

E2. Which forms must be completed?

- Form RP 5003 - *Requerimento de Prestações Compensatórias – Doença / Parentalidade* (Application for Compensatory Benefits – Sickness / Parenting).

Note: If you apply through the Social Security Portal, you do not need to fill in any forms, except in case you disagree with the amount indicated.

E3. Time limit to apply

Up to **6 months, as from**:

- 1 January of the year following the one in which the Holiday Pay and Christmas Bonus should have been paid by the employer, or
- the date of termination of the employment contract, when applicable.

F – Can the Compensatory Benefits be cumulated with other benefits?

F1. The Compensatory Benefits can be cumulated with:

- any Social Security benefit.

G – Supporting documentation

G1. Applicable legislation

Ministerial Order no. 480-A/2025/1 of 30 December

Updates the Social Support Index (IAS) value for the year 2026 (€537.13).

Decree-Law no. 139/2025 of 29 December

Updates the value of the guaranteed minimum monthly wage (i.e., the national minimum salary) for 2026, to €920.00.

Decree-Law no. 91/2009 of 9 April, as amended by **Decree-Law no. 70/2010 of 16 June, Decree-Law no. 133/2012 of 27 June** and **Law no. 120/2015 of 1 September.**

Establishes the legal framework for social protection in parenthood.

Law no. 7/2009 of 12 February, amended by **Law no. 105/2009 of 14 September**, **Law no. 53/2011 of 14 October, Law no. 23/201 of 25 June**, pela **Law no. 47/2012 of 29 August, Law no. 69/2013 of 30 August**, and **Law no. 27/2014 of 8 May.**

Labour Code.

Decree-Law no. 28/2004 of 4 February, amended by **Decree-Law no. 146/2005 of 26 August, Decree-Law no. 302/2009 of 22 October, Law no. 28/2011 of 16 June** and **Decree-Law no. 133/2012 of 27 June.**

Legal framework for Social Protection in the event of Sickness.

Ministerial Order no. 337/2004 of 31 March, amended by **Ministerial Order no. 220/2013 of 4 July**.

Regulates **Decree-Law no. 28/2004 of 4 February**, which establishes the social protection scheme in the event of sickness.

H - Glossary

Certificate of Temporary Incapacity for Work (*Certificado de Incapacidade Temporária para o Trabalho* – CIT)

It is a document issued by a doctor, that must be submitted to Social Security in order that the person concerned may apply for benefits (e.g. Sickness Benefit).

The CIT confirms that the person concerned is unable to work, indicates the type of illness, and specifies:

- whether it is a new sick leave - start of the incapacity;
- or the extension of an existing sick leave - continuation of the same sick leave.

I – Frequently Asked Questions

Do I have to declare the amounts of the Compensatory Benefits for Holiday Pay, Christmas Bonus or similar payments received from Social Security for Income Tax (IRS) purposes?

No. Currently, Compensatory Benefit amounts received from Social Security do not need to be declared for income tax (IRS) purposes.

How are the Compensatory Benefits for Holiday Pay and Christmas Bonus calculated?

When an employee is on **extended sick leave for 30 or more consecutive days**, there are several situations that determine whether he/she is entitled to compensatory benefits. These situations include:

a. situations in which the sick leave begins and ends within the same calendar year and lasts for 30 or more consecutive days

The right to Holiday Pay is linked to the right to take holidays. According to the law, employees are entitled to 22 business days of paid holiday per year, which become due on 1 January.

In that same year, the employee is also entitled to Holiday Pay and Christmas Bonus, proportional to the time he/she has worked.

If, at the beginning of the sick leave, the employee is already entitled to holidays falling due on 1 January (whether he/she has already taken the holidays or not) the Holiday Pay must be paid by the employer.

In such cases, Social Security **does not pay the Compensatory Benefit for Holiday Pay**. However, a **Compensatory Benefit for the Christmas Bonus** may be granted for the months in which the employee was on sick leave in that year.

Examples of Compensatory Benefits calculation

Example 1: An employee started a leave (due to natural illness) on 1 October 2025 and returned to work on 30 November 2025.

Since he/she was already entitled to holidays since 1 January 2025, the employer must pay the value of the holiday period and the respective Holiday Pay.

Social Security will only pay the **Compensatory Benefit for Christmas Bonus** for the months of October and November, provided that the request is made within 6 months, i.e., until 1 July 2026.

Example 2: An employee was on sick leave, receiving Sickness Benefit, from 1 February to 30 September 2024.

If the employee had not yet taken his/her holiday period, fall due on 1 January 2024, he/she could take them until the end of that year or up to 30 April 2025. In this case, the employer must pay the value corresponding to the holiday period and the respective **Holiday Pay** for 2024.

Social Security will only pay the **Compensatory Benefit for Christmas Bonus** for the eight months in which the employee was on sick leave (February to September), provided that the request is submitted until 30 June 2025.

b. when sick leave lasts for 30 or more consecutive days and begins in one year and ends in another

- **In the year when the sick leave begins**

  If the employee has already taken his/her holiday period, fall due on 1 January and received the respective **Holiday Pay**, the employer is not required to make any further payments. If the employee has neither taken his/her holiday period yet, nor received the **Holiday Pay**, he/she is entitled to receive the respective value from the employer.

- **In the year when the sick leave ends**

  The holiday period is counted as if it were the first year of the employment contract. The employee is entitled to 2 business days of holiday per month of work, up to a maximum of 20 days. This holiday period can only be taken after completing 6 months of effective work.

  If the year ends before the employee completes 6 months of work, he/she can take the holiday period until 30 June of the following year.

- **In the year following the return to work**

  The normal rules apply again, i.e., the employee is entitled to 22 business days of holiday and to the respective **Holiday Pay**, which fall due on 1 January.

Examples of the Compensatory Benefit calculation

Example 1: An employee became ill on 1 August 2024 and only returned to work on 1 June 2026.

- **Year 2024**
  The employee was entitled to a holiday period of 22 days falling due on 1 January 2024, which he/she had not yet taken or received.
    - the employer is responsible for the payment of the 2024 **Holiday Pay**;
    - Social Security will only pay the Compensatory Benefit for the Christmas Bonus for the months from August to December 2024, provided that the respective request is submitted until 30 June 2025.
- **Year 2025**

  Since the employee was on sick leave during the whole year, he/she **did neither become entitled to holidays nor to the respective Holiday Pay** in that year.
    - Social Security is responsible for the payment of Compensatory Benefits for Holiday Pay and Christmas Bonus of 2025, provided that the respective request is submitted until 30 June 2026.
- **Year 2026**

  The employee returned to work in June. In this case, the same rule applies as for the first year of the employment contract:
    - The employee is entitled to 2 business days of holiday per month of work, up to a maximum of 20 days;
    - since he/she only worked for 7 months, he/she is entitled to 14 days of holiday paid by the employer;
    - Social Security will pay the Compensatory Benefit for Holiday Pay for the remaining 8 days (to complete the usual 22 days) and the Christmas Bonus for the 5 months in which the employee was on sick leave (January to May), provided that the respective request is submitted until 30 June 2027.
- **Year 2027**

  Since the extended sick leave has ended and the employee has returned to work, the normal rules apply again, i.e., the employee is entitled to 22 business days of holiday, along with the respective **Holiday Pay and Christmas Bonus**, which must be paid by the employer.

Example 2: An employee became ill on 1 August 2024 and will only return to work on 1 February 2025.

When the employee became ill, he/she was already entitled to 22 days of holiday concerning the year 2024. If he/she has neither taken these holiday period yet, nor received the respective Holiday Pay, he/she may still take them until 30 April 2025. The employer is responsible for the payment of the 2024 Holiday Pay.

In what concerns the year 2024, Social Security will only pay the **Compensatory Benefit for the Christmas Bonus** for the 5 months of illness (August to December), provided that the respective request is submitted until 30 June 2025.

In 2025, as the employee returns to work and there are no longer any prolonged absences, his/her holiday period is calculated using the same rules as in the year of admission, i.e., he/she is entitled to 2 business days of holiday per month of work, up to a maximum of 20 days. In this case, the employee will be entitled to a holiday period of 20 days and to the respective proportional Holiday Pay, paid by the employer.

As the employee lost part of his/her Holiday Pay and Christmas Bonus in 2025, due to illness, Social Security must pay:

- the **Compensatory Benefit for Holiday Pay** for 2 days, and
- the **Compensatory Benefit for Christmas Bonus** for 1 month of illness.

These benefits must be requested until 30 June 2026.

Example 3: An employee became ill on 28 December 2024 and only returned to work on 1 June 2025.

The **Holiday Pay and the Christmas Bonus** for 2024 are paid by the employer.

Since the sick leave began on 28 December 2024 and lasted more than 30 days, the employment contract was suspended as from that date.

Labour Code, art. 296 (3).

In 2025, as the employee was still on sick leave on 1 January, he/she was not entitled to the full 22 days of holiday. In such cases, the holiday entitlement is calculated using the same rules as in the first year of employment, i.e., the employee is entitled to 2 business days of holiday per month of work, up to a maximum of 20 days. Since he/she returned to work in June, he/she is entitled to 14 days of holiday and to the respective proportional Holiday Pay, that must be paid by the employer.

As the employee lost part of his/her Holiday Pay and Christmas Bonus due to illness, Social Security may pay:

- the **Compensatory Benefit for Holiday Pay** for 8 days, and
- the **Compensatory Benefit for Christmas Bonus** for 5 months of illness.

These benefits must be requested until 30 June 2026.

c. **Situations in which the employment contract ends after an extended sick leave**

If the employment contract ends in the same year in which the employee was on extended sick leave, whether during the leave or after returning to work (but without becoming entitled to holidays in that year) the employer must pay the amount corresponding to the **days of holiday and the Holiday Pay** for the period the employee worked in the year he/she became ill.

If the employer does not pay the full amount of the **Holiday Pay**, Social Security may pay the **Compensatory Benefit for Holiday Pay**, provided that the employee fulfils the necessary conditions.

If the illness continues in the following years and there is no longer an employment contract, there is no entitlement to **Compensatory Benefits**, as there is no loss of the Holiday Pay and Christmas Bonus entitlement.

Example of Compensatory Benefits calculation

Example: An employee was on sick leave, as from on 1 July 2024, and remained in that situation until 30 March 2026. His/her employment contract ended on 8 April 2026. The total Holiday Pay amounted to €1,200.00.

- **in 2024**, the employer was responsible for the payment of the **Holiday Pay**; therefore, there is no entitlement to a **Compensatory Benefit** from Social Security.

  Social Security can only pay the **Compensatory Benefit for Christmas Bonus,** for the 6 months of sick leave (July to December), provided that the respective request is submitted until 30 June 2025;

- **in 2025**, as the employee was on sick leave during the whole year, he/she did not become entitled to holidays. Therefore, the employer is not required to make the payment of the **Holiday Pay and Christmas Bonus** for that year. Social Security pays the **Compensatory Benefits** for Holiday Pay and Christmas Bonus, provided that the respective request is submitted until 30 June 2026;

- **in 2026**, since the contract ended after the sick leave, the employee is entitled to a proportional amount of the **Holiday Pay** for the period he/she worked in 2024 (the year in which the sick leave began). The employer must pay €600.00 of this **Holiday Pay**.

As the total amount was €1,200.00, the difference (€600.00) may be paid by Social Security, but only in 60% of that amount, i.e., **€360.00** (€600.00 × 60%), provided that the respective request is submitted up to 6 months after the date on which the contract ended (8 April 2026).

Additionally, Social Security may also pay the **Compensatory Benefit for Christmas Bonus** for 2026 for the months the employee was on sick leave until March, provided that the respective request is submitted up to 6 months after the end of the contract.

How is the Compensatory Benefit for Christmas Bonus calculated when sick leave and parental leave occur in the same year?

If, in the same year, the employee has two extended absences (i.e., 30 or more consecutive days), one due to **illness** and the other due to **parental leave**, the amount of the **Compensatory Benefit for Christmas Bonus** is calculated proportionally based on the duration of each situation.

- for the period of **illness**, 60% of the lost amount applies.
- for the period of **parental leave**, 80% of the lost amount applies.

Social Security calculates the proportional amount based on the number of months in which the employee was in each one of these situations.

Example 1: An employee earns €780.00 per month. In 2025, he/she was on sick leave in April, May, June, and July, followed by initial parental leave from August to December.

In that year, he/she only worked in January, February, and March. As a result, the employee is only entitled to 3/12 of the **Christmas Bonus**, i.e., €195.00 paid by the employer.

Social Security pays the remaining lost amount, totalling **€416.00**, based on the following calculations:

- €780.00 / 12 = €65.00 (monthly value of the Christmas Bonus)
- **sick** leave for 4 months: €65.00 x 4 = €260.00 → €260.00 x 60% = €156.00
- **parental leave** for 5 months: €65.00 x 5 = €325.00 → €325.00 x 80% = €260.00

Total amount paid by Social Security: €156.00 + €260.00 = **€416.00**

Note: The **Compensatory Benefit** must be requested until 30 June 2025.

How is the Compensatory Benefit for Christmas Bonus calculated when several parental allowances are paid in the same year?

Example 1: An employee was on clinical risk during pregnancy from 1 October 2024 to 3 March 2025, followed by initial parental leave from 4 March to 31 July 2025.

In 2024:

- the **Holiday Pay** was paid by the employer; therefore, no **Compensatory Benefit for Holiday Pay** is due;
- **Social Security** must pay the **Compensatory Benefit for Christmas Bonus** for October, November, and December (3 months of clinical risk), provided that the respective request is submitted until 30 June 2025.

In 2025:

- no **Compensatory Benefit for Holiday Pay** is due, because it was paid by the employer;
- **Social Security** must pay the **Compensatory Benefit for Christmas Bonus** for the months in which the employee was on **clinical risk** and **parental leave** (January to July), provided that the respective request is submitted until 30 June 2026.