Revista Catarinense da CIÊNCIA CONTÁBIL

ISSN 2237-7662, Florianópolis, SC, v. 21, 1-16, e3295, 2022

DOI: 10.16930/2237-7662202232952
Available in http://revista.crcsc.org.br

LABOR AND TAX IMPACTS OF LAW NUMBER 14.020/2020 AMID COVID-19

ANA BEATRIZ FERNANDES MOREIRA
Universidade Federal do Ceará
Address: Avenida da Universidade, 2853 | Benfica | 60.020-181 | Fortaleza/CE | Brazil.
https://orcid.org/0000-0003-1478-0290
biafernandesmoreira@hotmail.com

JACKELINE LUCAS SOUZA
Universidade Federal do Ceará
Address: Avenida da Universidade, 2853 | Benfica | 60.020-181 | Fortaleza/CE | Brazil.
https://orcid.org/0000-0002-0012-6717
jackeline.souza@hotmail.com

FRANCISCA YASMIN DE AGUIAR GUEDES
Universidade Federal do Ceará
Address: Avenida da Universidade, 2853 | Benfica | 60.020-181 | Fortaleza/CE | Brazil.
https://orcid.org/0000-0002-3716-774X
fcayguedes@gmail.com

ABSTRACT

The research aims to measure the labor costs and tax impacts arising from Law No. 14.020, of July 6th, 2020 (resulting from the conversion of Provisional Measure No. 936, of April 1st, 2020), which established the Emergency Program for Employment Maintenance and Income (relaunched by Provisional Measure No. 1.045, of April 27th, 2021), in agents: government, company, and employees. A case study was carried out with the textile industry, segregating the variables impacted by the adoption of the law regarding burdens and bonuses and regarding labor costs and tax impacts for the subjects involved. The company's monthly working capital bonus, which is the object of this study, after the 25% reduction in working hours to the suspension of contracts, would vary, respectively, between 43.1 and 132.7 thousand reais, the counterpart of burden between 41.5 and 110.3 thousand reais in the government and between 3.4 and 28.2 thousand reais in employees. The option for suspension in March and April saved him 265.5 thousand reais and preserved 97.7% of his jobs. This research serves as a model for the application of options generated by the government in contingencies that affect the labor market, in addition to contributing to the literature as a diagnosis of the effects of these actions.

Keywords: Labor and tax impacts. Emergency benefit. Suspension of employment contracts. Covid-19.

Edited in Portuguese and English. Original version in Portuguese.

Received on 04/12/2022. **Revised on** 06/27/2022. **Accepted on** 09/05/2022 by Professor PhD. Rogério Joao Lunkes (Editor-in-Chief). **Published on** 10/07/2022.

1 INTRODUCTION

On December 31st, 2019, the World Health Organization (who) was notified by China of a respiratory disease originating in Wuhan. Researchers found that this was a new type of virus, called Coronavirus, discovered in its sixth version in 2019 – so the name Covid-19. According to Welle (2020), the virus quickly spread worldwide and by the end of February 2020 it had already arrived in more than 40 countries, with more than 2,700 deaths and 80,000 confirmed cases.

On February 7th, 2020, through Law number 13.979 of February 06th, 2020, the President of the Republic of Brazil – Jair Messias Bolsonaro – established measures of social isolation and quarantine in order to contain the health crisis that spread worldwide, following the model of China and Italy. Several countries began to take measures to contain the growth of the number of cases, including the closing of borders, the cancellation of public parties and sporting events, the suspension of face to face classes and other classes, and the countries that registered, at the beginning of 2020, the higher number of infected individuals, killed by coronavirus, were Italy, the United States and Spain (Casaca *et al.*, 2020).

On March 11th, 2020, WHO stated, through the pronouncement of the general director, Tedros Adhanom Ghebreyesus,, that Covid-19 had a pandemic characteristic, reinforcing that social isolation would be essential for the control of the situation (World Health Organization, 2020).

The pandemic and unproductive scenario for labor activities considered “non-essential” in Brazil has generated direct consequences in the medium and long term economy. These consequences led the Federal Government to regulate provisional measure number 936, of April 1st, 2020, converted into Law number 14.020, of July 6th, 2020, which established rules for making labor laws more flexible through the Emergency Employment and Income Maintenance Program (re-launched by Provisional Measure number 1.045, of April 27th, 2021), injecting resources into economic activity through labor subsidies to the income of the country's population, generating tax impacts.

Souza, Kachenski and Costa (2021) stated that, with the suspension of employment contracts and the legislation on subsidies granted by the Federal Government, resulting from these regulations, there was a considerable increase in work in the accounting offices, especially in the first weeks after the arrival of the pandemic in the country, related to labor and tax aspects.

In this context, the research proposes to answer the following question-problem: What are the labor costs and tax impacts arising from the implementation of Law number 14.020/2020 on government officials, employers and employees, in the midst of Covid-19? In order to explore such questioning, the general objective of the research is to measure labor costs and tax impacts resulting from the implementation of Law number 14.020/2020 in governments, employers and employees, caused by Covid-19, in a textile company in Ceará.

The research is relevant to evidence that Law number 14.020/2020 promoted the provisional stability of jobs as a measure of coping with employees and employers before the crisis caused by the Covid-19 pandemic, avoiding the worker’s loss of income and generating reduction of tax burden to the employers. The suspension and/or reduction of labor contracts by the assumption of the charges by the Federal Government or by the flexibilization of labor rules in the company-employee relationship allows promote economic viability assessments, by maintaining the workers’ income and negotiating their jobs.

Since the Federal Constitution of 1967, the employee’s stability in the company has ceased to be the employer’s obligation, starting from the implementation of the Government Severance Indemnity Fund for Employee (FGTS); this explains why state public servants are not receiving FGTS, since they have employment stability. Since then, several proposals have been suggested, in order to promote greater flexibility in labor relations – reduction of working hours and creation of the hourly bank for control and compensation of overtime working hours – allowing the agents involved in this relation to adapt to global crisis scenarios, generating job maintenance, decrease in corporate charges and, consequently, incremental adjustment in the economy, as some studies point out (Nasihgil & Duarte, 2015; Delgado, 2019).

Thus, this study is justified by promoting the behavioral analysis company, employee and government before a scenario of health and economic crisis, based on the options generated by the government for its continuity, contributing to the literature and its users as a diagnosis of the effects of these actions. Public policies are necessary not only for the maintenance of jobs, but for the viability of cash flow, the reduction of costs, the survival of small and medium-sized enterprises and the inclusion of telework on a larger scale, allowing the evaluation of employees from the perspective of business partners, the government for the promotion of economic development and employers as socially responsible for the unfolding that the employment bond generates to society.

2 THEORETICAL BASIS

2.1 PROVISIONAL MEASURE number 936, of April 1st, 2020 (converted into Law number 14,020, of July 6th, 2020)

Due to the seriousness of the current pandemic situation, the state of public calamity was declared by Legislative Decree no.° 6, of March 20th, 2020, and, progressively, decrees of social isolation were published in the states. According to the National Confederation of Services [CNS] (2020), the economic downturn in Brazil caused by Covid-19 had its biggest impact on the trade sectors, with a 10.7% drop in the country's commercial GDP and a potential closure of 2 million jobs, however, the reduction in the country's commercial GDP was the most significant, however the effects in all sectors were characterized by a reduction in the employees' income.

In the context of a pandemic, the planning and response to the issues involving the well-being of the population are not simply technical, but how the roles of government, population and media interact through collective responsibility and are intrinsically political-social (Carney & Bennett, 2014). In this bias, the State places itself in a difficult position between reconciling the needs of isolation with the economic consequences – of lower collection – and social – since the human being is a social being.

In order to protect the employment relation agents, the Federal Government published Provisional Measure number 927, of March 22nd, 2020, which ended on July 19th of the same year. The standard dealt with labor alternatives to confront the state of public calamity, providing, in its article 3rd, the measures that could be taken by the employer.

> Article 3rd: I - telework; II - anticipation of individual holidays; III - the granting of collective holidays; IV - the use and anticipation of holidays; V - the bank of hours; VI - the suspension of administrative requirements in safety and health at work; VII - the worker's orientation for qualification; and VIII - the deferral of the payment of the Government Severance Indemnity Fund for Employee – FGTS (Provisional Measure number 927, 2020).

Such options allowed the reduction of labor burden of organizations in relation to the suspension of face-to-face activities without breaking the employment relationship. This standard allowed the change of face-to-face work to telework, the granting of vacation to those who did not have their accrual period elapsed (item II, § 1st, article 6th of PM number 927/2020), with deferral of the 1/3 of vacation until the date on which it is due the Christmas gratification (article 8 of PM number 927/2020), and the deferral of the FGTS regarding the periods of March, April and May, providing for its installment up to 6 times, without penalty and updating.

However, PM number 927/2020 brought, in its article 18, the worker's orientation for the qualification and consequent suspension of labor contracts, inspired by article 476-A of Decree-Law number 5.452, of May 1st, 1943, which approved the consolidation of labor laws [CLT], but it was quickly revoked by PM number 928 of March 23rd, 2020. Thus, this article was the seed of PM number 936, of April 1st, 2020, adopted to deal with the suspension more mildly and detailed during the contingency period, as well as provide another possibility, the reduction of the work period and salary.

Law number 14.020/2020 (arising from PM number 936/2020 and relaunched by PM number 1.045/2021) instituted the Employment and Income Maintenance Program with the aim of avoiding the unemployment of formalized workers and ensuring the continuity of business activities in Brazil, through new possibilities for the employer in the labor field, namely: the suspension of labor contracts, the reduction of hours and salaries and the creation of the Emergency Benefit of Preservation of Employment and Income ("Bem") to assist entities in payment, financed by the extraordinary credit of R$ 51,6 billion, according to MP number 935, of April 1st, 2020.

Regarding BEm, it does not integrate the remuneration and has as basis of calculation the monthly value of unemployment insurance to which the employee would be entitled, which varies between R$ 1,100.00 and R$ 1,911.84 (Federal Government, 2021) – without the social security benefit changing – and its full or partial concession depends on the option chosen by the employer. However, the government disbursement requires the entrepreneur as a counterpart the guarantee of employment of employees for a period of two years of the time agreed with the reduction or suspension (Law number 14,020, 2020**)**.

With the tax payroll deduction for the benefit of the entrepreneur, and monetary compensation to the employee through BEm, Law number 14.020/2020 generated a tax benefit, which, because it is a distributive policy, has several satisfied interests, both within the scope of the exclusive benefits for its recipients, as for the set of "*insiders*", which includes suppliers, employees and consumers of the entrepreneurs benefited (Mancuso & Moreira, 2013).

According to a survey by the Federal Government (2021a), during 2020, about 10 million formal workers had their jobs preserved by the program. As a result, PROVISIONAL MEASURE number 1.045, of April 27th, 2021, relaunched the New Emergency Program for Employment and Income Maintenance, for the right period of 120 days from the date of publication of the standard.

With regard to the temporary suspension of employment contracts, item I of §2nd of article 8th of Law number 14.020/2020 states that the employee will enjoy all the benefits granted by the employer with its adoption (based on §4th of article 476-A of CLT[Brazilian Consolidation of Labor Laws]) – and that the employee will be authorized to collect for the General Social Security Regime as an optional insured (Law number 14.020, 2020).

The calculation of government disbursement (BEM) will be the equivalent of 100% of unemployment insurance per worker for companies with turnover lower than R$ 4.8 million in the previous calendar year. This range was chosen strategically by the government for representing the cap amount of the taxation regime of Simplified Taxation System, seeking to favor small and medium-sized entrepreneurs.

Whereas for the entities that exceeded this turnover in the previous calendar year, the government grants 70% of unemployment insurance to employees in a suspended contract, because they will complement the income with at least 30% of the contractual salary of their employees, a share called "compensatory aid", term already present in the suspension of contracts provided for in §3rd of article 476-A of CLT. Thus, the government understands that larger companies are able to bear part of the costs of the economic crisis. However, the compensatory aid is not considered remuneration and brings numerous tax advantages for both the company and its employees, as explained in paragraphs I to VI of § 5th of article 9th of Law number 14.020/2020.

> Article 9th, § 5th: II - it will have an indemnity nature; III - it will not integrate the basis for calculating the income tax withheld at source or the declaration of annual adjustment of the income tax of the natural person of the employee; IV - it will not integrate the basis for calculating the social security contribution and other taxes levied on the payroll; V - it will not integrate the basis for calculating the amount due to the Guarantee Fund of the Service Time [...]; E VI - It may be excluded from net profit for the purpose of determining the income tax of the legal entity and the Social Contribution on the net profit of legal entities taxed by real profit (Law no. 14,020, 2020).

Knowing that the compensatory aid is indemnifying in nature, the suspension must provide tax bonuses to the employee, since he or she becomes optional insured of the INSS[Social Security] and has no IRRF[Income Tax] deducted. For the employer, compensatory aid (article 9) has the advantage of being excluded from net profit for calculating the Real Profit.

In the scope of the employee's income preservation, Zylberstajn (2020) calculated the employee's replacement rate in relation to the salary he or should receive in normal terms for different income ranges, using the net salary as a comparative basis (Table 1).

Table 1
Income resulting from the suspension of the employment contract (in R$ 1,00)

		Turnover up to R$ 4.8 million/year			Turnover > R$ 4.8 million/year		
Gross salary	**Net salary**	**Benefit**	**Replacement rate in relation to salary**		**Benefit + aid**	**Replacement rate in relation to salary**	
			Gross	**Net**		**Gross**	**Net**
1,045	**967**	1,045	100%	108%	1,045	100%	108%
1,500	**1,381**	1,045	70%	76%	1,182	79%	86%
2,000	**1,836**	1,480	74%	81%	1,636	82%	89%
2,500	**2,153**	1,730	69%	80%	1,961	78%	91%
3,000	**2,593**	1,814	60%	70%	2,170	72%	84%
4,000	**3,166**	1,814	45%	57%	2,470	62%	78%
5,000	**4,026**	1,814	36%	45%	2,770	55%	69%
7,500	**6,787**	1,814	24%	27%	3,520	47%	52%
10,000	**9,287**	1,814	18%	20%	4,270	43%	46%
12,000	**11,287**	1,814	15%	16%	4,870	41%	43%

Source: Adapted from Zylberstajn (2020).

It is noticed that, in both groups of companies, the minimum salary employees earn an increase of 8% in net income with the suspension, in addition to that in companies with annual turnover of up to R$ 4.8 million, for all who earn up to R$ 3,000.00, the suspension of the employment contract causes a reduction in income of less than 30%. In companies with turnover greater than R$ 4.8 million, in turn, the margin of 70% of income is preserved for salaries up to R$4,000.00 (Zylberstajn, 2020).

The reduction of working day and salary provided for in article 7 of Law number 14.020/2020 allows as percentages, exclusively, 25%, 50% or 70%, if individual agreement. The measure points out that the payment of the proportional salary should preserve the hourly-salary (item I of article 7 of Law number 14,020/2020) and that the granting of compensatory aid is optional. Whereas BEm will be calculated by applying the percentage of reduction on unemployment insurance.

Observing the impact of the measure from the perspective of employees, Zylberstajn (2020) calculated the rate of replacement of what employees of various wage ranges would receive from the company together with the Government with Law number 14.020/2020, in relation to their net salaries in the normality. The replacement rate above 80% was maintained in most cases, but the study took into account only the cash flow of the present, not considering the provisions for holidays, 13th payment and FGTS[Guarantee Fund for Severance Pay] , which were certainly considerable burdens. And, despite of not following a linear pattern, as salary ranges increase, in general the recovery of net salaries becomes lower, with a reduction of 25% that brought the less burden to employees.

2.2 Previous studies

This section comprises previous studies that were located through the Spell and Capes Journals databases, with the filters "suspension of contracts", "*lay-off*", "payroll exemption", "labor costs", "tax benefits" and "tax waiver", in the period from 1994 to 2021.

According to Schäfer, Konraht and Ferreira (2016), the State is a beneficiary of the wealth generated by companies, since they can improve social welfare from high rates of human and economic development. Aware of the fundamental role of these entities, the Federal Government promulgated Law number 14.020/2020, aiming to preserve the sustainability of companies and, consequently, the income of its employees in the midst of the pandemic and economic crisis, having, as an opportunity cost, the tax waiver of high labor charges.

However, from the perspective of business ethics,Bacarat, Neto and Accioly (2021) (2021) argue that the organization that adopts the suspension of employees' employment contracts is in opposition to the guidelines of social responsibility, since there is an unequal relationship between employer and employee. Whereas Souza (2020) reinforces that, although the options of Law number 14.020/2020 are not fully fair standards for the employee, the idea that the employee is the disadvantaged within the labor relationship cannot be seen in a radical way, for there is no doubt that the employers are also vulnerable to the situation affected by Covid-19.

The government initiatives in Brazil were similar to those of other countries to curb the economic crisis. More specifically in Latin America, where the country has a strong influence on market relations, Constanzi (2020) conducted a study on tax and labor measures adopted in 23 countries on the continent, including the Caribbean, and salary compensation for employees by the State, along with tax postponement, transfer to families and granting credit lines was present in almost all the countries covered.

According to Silva, Martins and Vendruscolo (2015), the labor law of Brazil is complex, because it imposes obligations on workers and companies, defining the "labor costs" as the total expenses incurred with the worker's labor force, including remuneration, benefits and social charges. Gassen, Ludwig and Michels (2019) claim that, in times of crisis, such costs destruct companies.

Similarly, Pastore (1994) reported that Brazil is a country of high charges and low salaries. Thus, the worldwide audit and accounting network UHY found, in 2013, that Brazil is the country with the highest labor charges among the 25 analyzed nations of G7 and Brics: Brazil pays, on average, 57.6% of the gross value of the salary in taxes, while the global average is 22.5% (Época Negócios, 2013). For Carvalho and Bueno (2018), a high tax burden has negative effects on economic growth, corroborating with Hanlon and Heitzman (2010) in discussing the impacts on cash flow and wealth generation.

In contrast, Lora and Fajardo-Gonzalez (2016) report that the effects of taxes on payroll are ambiguous, since most of them provide the workers with a set of benefits. When these taxes increase, companies can compensate them in the form of lower salaries, if workers value the benefits as much as the cost of contributions; but if tax benefits on salaries are not accumulated by employees, employment will likely be affected (Lora & Fajardo-González, 2016).

A survey by the Taxation Nucleus of the Center for Regulation and Democracy of the Institute of Education and Research [Insper] (2020) pointed out that 289 tax measures were adopted by 47 countries (excluding Brazil) to combat the effects of the new Coronavirus on the economy. According to the study, first, the actions were for tax postponement; and, secondly, the reduction of the tax burden. When considering only taxes of the category "payroll", while in Brazil the deferral rate reached 80%, the other countries differed these taxes by 64%, on average, while the average reduction was balanced.

Azevedo and Cabello (2020) show that the revenue waiver policy has been significant in Brazil, increasing 50% between 2008 and 2012. It works as if the public sector returned amounts received to organizations – it is a tax expense that does not pass through the public budget. However, such measures often disperse the costs of these tax privileges among the "*outsiders*" – the rest of the company – whose tax burden may be high to compensate for the loss of revenue, or that may cease to receive public services that would be financed by them (Mancuso & Moreira, 2013).

Botelho, Abrantes and Fialho (2019) aimed to evaluate the contemporary policies of tax exemptions and their relation with Brazil's regional development, from the analysis of bibliographical research on tax relief policies, in national and international literature. It was observed that such policies can be used to cover larger economic problems, creating fiscal mechanisms that demand less political forces and contributing to inequality between economic sectors and regions of Brazil.

Considering the contingency nature of public calamity due to Covid-19, the business sector needs to analyze the economic viability of the suspension and reduction of contracts for its businesses in the light of a situational approach (Ferreira, Reis & Pereira, 2002).

3 METHODOLOGICAL PROCEDURES

This study consists of the evaluation of the tax and labor impacts of the reduction of hours and salaries and the suspension of contracts during the duration of the state of national calamity. The research typology is descriptive, bibliographical, documentary and case study.

A case study was carried out in a limited liability company in the field of clothing making and marketing of underwear based in the city of Fortaleza/CE, which, according to the Institute of Research and Economic Strategy of Ceará [IPEE] (2014), is an important local market due to its tradition in industry and the concentration of investments, the latter representing 19.7% of the total in Ceará. The analyzed company has 86 employees, with two pregnant women excluded from the sample: the 84 employees covered have contractual salaries ranging from R$ 1,055.00 to R$ 3,267.00, with an average of R$ 1,248.50.

This sector had its face-to-face operations interrupted from March 20th, 2020, because it was considered as non-essential activity, the inactivity extended until May 31st, 2020, when the gradual release of 20%, 40% and 100% of face-to-face work was initiated on, June 1st, June 8th and July 6th, 2020 (State Decrees number 33.608, of May 30th, 2020, number 33,617, of June 6th, 2020 and number 33.645, of July 4th, 2020).

Thus, due to the hypotheses provided for in PM number 927/2020, the entity took the decision to grant collective vacation with the remaining balance of the March period, complying with the 48 hours of notice (article 11 of PM number 927/2020), in addition to the postponement of 1/3 of vacation (article 8 of PM number 927/2020) and the deferral of FGTS (item VIII, article 3 of MP number 927/2020) as a way of reducing the burden for the period of inactivity. With the emergence of PM number 936/2020, on April 1st, the entity decided to study the options provided by the standard, in order to make the best decision for its business in the contingency scenario.

Law number 14.020/2020 brought different consequences to the agents of the employment relation – government, company and employer. As there is an interdependence among them, which positively influences one agent ("bonuses") negatively impacts another ("burden"). Thus, it was used as strategy the classification of variables according to the burden and bonus with the implementation of PM number 936/2020 in the studied object.

Subsequently, it was necessary to frame them in the branch of the law to which they refer: it was understood as necessary the distinction of those that relate only to Labor Law ("Labor Costs") of those that compose the Tax Law ("Tax Impacts"), for greater accuracy of the consequences of the standard. Thus, the variables involved at the core of each person in the work relationship were classified according to the relative burden or bonus and as labor cost or tax impact (Table 2).

Table 2
Classification of variables involved by agent

	Labor costs	Tax impacts	Agent	Bonus	Burden
Payroll					
1. Trade union discount	X	-	Employee	X	-
2. FGTS (over salary, holidays and 13th payment)	-	X	Employee	-	X
			Company	X	-
			Government	-	X
3. Employer INSS (without third parties)	-	X	Company	X	-
			Government	-	X
4. INSS Third Party Employers [a]	-	X	Company	X	-
			Government	-	X
5. INSS withheld employee	-	X	Employee	X	-
			Government	-	X
6. INSS withheld employee	-	X	Employee	X	-
			Government	-	X
7. Provision 13th salary [b]	X	-	Employee	-	X
			Company	X	-
8. Provision vacation	X	-	Employee	-	X
			Company	X	-
9. Salary	X	-	Employee	-	X
			Company	X	-
10. VT – discount (6%)	X	-	Employee	X	-
11. VT – employee right [c]	X	-	Company	X	-
Benefits arising from the option for PM					
12. Compensatory aid [d]	X	-	Employee	X	-
			Company	-	X
13. Emergency Benefit.	X	-	Employee	X	-
			Government	-	X

Legend: VT: transport voucher
Note. [a] "third-Party term" covers SESI, SESC, Senac, Senar, Senai, education salary, RAT, Incra and Sebrae. [b]Vacation and 13th salary have a null situation in the journey reduction. [c]For VT, it was considered that the working day reduction would decrease in days and not in hours/day. [d]In the company, compensatory aid was granted only when compulsory (suspension). Vacation and 13th salary charges were not considered.
Source: Own elaboration.

In the measurement of the impacts of Law number 14.020/2020 on the government agent, the withholding of the employee and the tax charges of the payroll, in addition to BEm was considered. In the company agent, expenses with compensatory support and common payroll charges were analyzed. In the employee, the proceeds from the standard – Bem and compensatory aid – and the items that usually have in normal for comparative purposes were analyzed.

4 RESULTS

The results indicated, according to the employees' data, were analyzed comparing the month before the application of the legislation in force at the time – March/2020 – with the initial month of application of Law number 14.020/2020 – April/2020 (Table 3).

Table 3
Measurement of the burden and bonus per agent before Law number 14.020/2020 (in R$ 1.00)

	Labor costs		Tax impacts		Total net (burden – bonus)
Agent	**Bonus**	**Burden**	**Bonus**	**Burden**	
Government	-	-	46,372	-	**46,372**
Company	-	127,394	-	(38,127)	**(165,521)**
Employees	125,266	(2,134)	10,021	(8,244)	**124,909**

Note. [a]The bonus and burden balances are not canceled because of the double consideration of the FGTS burden with the adoption of Law number 14.020/2020 – government and employees – and the bonus with labor costs of employees, which had no counterpart for the non-involvement of other affected agents (trade unions and transport companies).
Source: Own elaboration.

In March – period without consequences of Law number 14.020/2020 – the company needed to obtain a burden (R$ 165,521) for government and employees to obtain bonus of R$ 46,372 and R$ 124,909, respectively.

Regarding the government agent, the payroll and benefits variables arising from Law number 14.020/2020 affecting this subject were accounted for (Table 4).

Table 4
Measurement of the impacts of Law number 14.020/2020 on government agent (in R$ 1.00)

	Labor costs		Tax impacts		Total net (burden – bonus)
Proposal	**Bonus**	**Burden**	**Bonus**	**Burden**	
Suspension	-	(65,276)	-	(45,061)	**(110,337)**
70% reduction	-	(65,276)	-	(31,543)	**(96,819)**
50% reduction	-	(46,637)	-	(22,531)	**(69,168)**
30% reduction	-	(28,001)	-	(13,518)	**(41,519)**

Source: Own elaboration.

Analyzing the results obtained, it is inferred that as labor inactivity is higher, that is, from the total suspension of labor to the reduction of 30% of the workload, the opportunity cost of tax waiver becomes more costly for the government, to the detriment of the companies' economic and financial health, because this agent is a beneficiary of the wealth generated by them in the long term (Schäfer *et al.*, 2016), and the maintenance of employees' and their families' income.

The government labor cost, which, in the four alternatives, is entirely about BEm, along with the non-termination of the contract, it is presented as an alternative in opposition to the social chaos, aligned with the positioning of Souza (2020). In the suspension, BEm of this industry is almost double what would be collected from tax revenues in this industry in normal periods.

Whereas the losses with tax impacts were mainly due to the absence or reduction of tax costs of the Tax Authorities – measures adopted in the countries in general, according to Insper (2020) – when considering both BEm good and the compensatory aid as compensation installments. The 1.25% reduction of third party INSS provided for in PM number 932/2020 was considered, since the measure was in force in April 2020, but this did not generate significant distortions.

To investigate the impacts on the employer agent, a simulation of the balances related to the adoption of Law number 14.020/2020 in the said industry in April was made (Table 5).

Table 5
Measurement of the impacts of Law number 14.020/2020 on company agent (in R$ 1.00)

	Labor costs		Tax impacts		Total net (burden – bonus)
Proposal	**Bonus**	**Burden**	**Bonus**	**Burden**	
Suspension	127,394	(31,462)	36,817	-	**132,748**
70% reduction	74,901	-	25,772	-	**100,673**
50% reduction	53,501	-	18,408	-	**71,909**
30% reduction	32,100	-	11,045	-	**43,145**

Source: Own elaboration.

Upon adopting Law number 14,020/2020, the company obtains a significant positive impact on the payroll in all measures foreseen, mainly due to the reduction of labor costs, especially the variable salaries and, in the case of suspension, the provisions of vacation and 13th salary, since in the reduction there are no changes in the accounting of these *accruals*. With the tax burden and social spending with its employees attenuated, the company can invest in itself and, consequently, create more jobs (Nasihgil *et al.*, 2015).

In the tax impacts, emphasis is on the reduction of the employer's INSS, which, according to the findings of Silva *et al.* (2015), has a considerable share of the cost of labor. It is worth noting that the tax impacts could be higher if the company adopted the tax regime for real profit, since the compensatory aid, its sole burden on suspension, would reduce by about R$ 10,697 (34% x R$ 31,462) the taxes on profit.

Although knowing that in suspension the society could achieve a larger economy – up to three times as much as the reduction in salary hours by 30%, for example – the organization would rely exclusively on *online* sales of the stock of finished products of March, while, in the reduction, the company would be able to achieve a greater economy, it would be possible to return to the manufacture of goods, although the scenario was a crisis of demand fall.

As the government imposed the full closure of the textile and clothing sector at the end of March, the entity opted for the suspension of contracts of 84 employees from the promulgation of PM number 936/2020, in April, and with bonus gained - – estimated savings of R$ 132.7 a month of suspension – invested in technology to expand its virtual sales, which increased revenue from R$ 42.3 in April to R$ 102.5 in May, knowing that, in normal times, the company earns between 300 and 500 thousand reais of gross revenue, depending on the time of year.

In June 2020, a permission of face-to-face return was declared from 20% to 40% of the workforce. Thus, the company decided to resume its activities by taking advantage of the full working day of the employees essential to production and, since the suspension was limited to 60 days before Decree number 10.422/2020, it was left to take advantage of the provisions of PM number 927/2020 for employees who remained in inactivity, since it was in force until the full return permission for its sector, which was granted in July 2020.

Regarding the characterization effects of the 84 employees of the payroll of the entity covered by Law number 14.020/2020, the related amounts were obtained (Table 6).

Table 6
Measurement of the impacts of Law number 14.020/2020 on employee agent (in R$ 1.00)

	Labor costs		Tax impacts			Per employee (÷84)	
Proposal	**Bonus**	**Burden**	**Bonus**	**Burden**	**Total net (burden – bonus)**	**With FGTS, vacation and 13th salary**	**Without FGTS, vacation and 13th salary**
Suspension	98,872	(125,266)	8,244	(10,021)	**(28,171)**	(335)	27
70% reduction	66,770	(73,412)	5,771	(7,015)	**(7,886)**	(94)	(10)
50% reduction	47,704	(52,437)	4,122	(5,011)	**(5,621)**	(67)	(7)
30% reduction	28,641	(31,462)	2,473	(3,006)	**(3,354)**	(40)	(4)

Source: Own elaboration.

For the employees, the implications of the measures of Law number 14.020/2020 were all negative, to the detriment of the provisional guarantee of employment, corroborating with the ideology advocated by Nasihgil *et al.* (2015) that legislative innovations that suppress workers' guarantees should be compensated.

In the short-term view, the suspension of contracts assumes the advantage for the employee by increasing his or her cash by R$ 27.00, with a replacement of 102% in relation to the average net salary of March (R$ 1,124.95). The same impact was observed by Zylberstajn (2020), when he found a replacement between 86% and 108% for gross wages between R$ 1,045.00 and R$ 1,500.00, due to the absence of tax discounts, important for increments in basic necessities.

In the long-term view, all the chances of reducing the day showed less costly results than the suspension to employees, however, being better than in the short term because they provide a replacement of values resulting from the vacation period and 13th salary, in the amount of R$ 20,392, which balances labor bonus and burden, and FGTS, regarding tax impacts. From a qualitative point of view, the suspension of contracts may require the total replacement of the social security contribution, if the employee has the distant view that the time of downtime of the employment relation may delay his or her retirement for the same period.

Other tax and labor rules occurred in the emergency situation. While the Provisional Measure number 927/2020 referred to the FGTS and 1/3 of vacation, the Ministerial Orders number 139/2020 and 150/2020 postponed the INSS[Social Security], PIS [Social Integration Program] and Cofins [Contribution to Social Security Financing]. Considering the sum of the items mentioned in March, April and May, the company had a total of R$ 111.6 thousand, being 50.2% (R$ 56 thousand) of the reference period of March, the month the activity began. That is, the entity will get a relief with unanticipated cash balances and, still, the income of this amount.

According to the aforementioned standards, these balances – which would normally be paid in the month following the month of reference – that is, in April, May and June, with the exception of 1/3 of vacation, which would be paid in the start period, in March (6 days for 100% of employees) and June (24 days for 60% of employees) – started to be cash out in: July, for FGTS, divided in six times; August 20th, October 20th and November 20th, for INSS, PIS and Cofins; on December 20th, for vacation 1/3 (Table 7).

Table 7
Cash flow breakdown by initials – Period: 03 to 12/2020 (in R$ 1.00)

Period	FGTS (a)	INSS (b)	PIS (c)	Cofins (d)	1/3 holiday (e)	Total (f) = (a+b+c+d+e)	Index (g)	Total Accumulated (h) = (f+g+h_0)
MAR	-	-	-	-	6,992	6,992	17	**7,009**
APR	10,021	26,795	2,169	10,009	-	48,994	121	**56,124**
MAY	-	-	275	1,268	-	1,542	125	**57,791**
JUN	-	-	666	3,075	50,339	54,081	194	**112,066**
JUL	(1,670)	-	-	-	-	(1,670)	144	**110,540**
AUG	(1,670)	(26,795)	(2,169)	(10,009)	-	(40,643)	140	**70,036**
SEP	(1,670)	-	-	-	-	(1,670)	138	**68,504**
OCT	(1,670)	-	(275)	(1,268)	-	(3,213)	134	**65,425**
NOV	(1,670)	-	(666)	(3,075)	-	(5,412)	127	**60,140**
DEC	(1,670)	-	-	-	(57,331)	(59,001)	50	**1,189**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**1,189**	**1,189**

Legend: Index: Indexer – savings index – based on Banco Central don Brasil (BCB) (2020); Total accumulated: final balance on the last day of the month; h_0: final balance of the previous month.
Source: Own elaboration.

Such an effect could be greater if the company had not adopted the suspension in April and May, which is why these months had no employer INSS. For the calculation of the liquidity bonus, the savings index was used, which corresponds to the sum of the Referential Rate (TR) plus 70% of the rate of the Special Settlement and Custody System (Selic), when this is inferred at 8.5% per year, According to Banco Central do Brasil [BCB] (2020). Thus, the monetary update for these indices – referring to 07/2020 (0.1303% a.m.) – on the main values postponed should generate an income around R$ 772.18 by the end of December.

5 CONCLUSION

In the measurement of labor costs and tax impacts arising from the implementation of Law number 14.020/2020, in government agents, employers and employees, in a textile industry of Ceará, opting for the assumed profit, the results showed that the monthly working capital bonus of the company, from the 25% reduction of the day to the suspension of contract varied, respectively, between 43.1 and 132.7 thousand reais, to the cost of between 41.5 and 110.3 thousand reais in the government and between 3.4 and 28.2 thousand reais in the employees. The option for suspension in April and May generated savings of 265.5 thousand reais and preserved 97.7% of its jobs, as well as the relief of postponement of 111.6 thousand reais, resulting from other standards, which allowed it an income of 1.2 thousand reais (0.1303% a.m.) until the end of December.

Regarding employees, in the short term, the preservation of net income is greater with the suspension of contracts due to tax impacts; in the long term – that is, considering vacation and 13th salary – the option to reduce them is less costly.

Thus, the research is relevant to evidence that the alternatives provided by labor legislation – suspension and reduction of labor contracts – promoted the temporary stability of jobs and the economic and financial health of organizations, being a valuable tool for decision-making amid future economic contingencies by allowing economic feasibility assessments of the application of Law number 14.020/2020.

The limitations of this study are in the field of the particularities of the companies, which does not allow an exclusive follow-up of these impacts. Another deadlock was the burden-bonus difference, due to the double consideration of the FGTS burden with the adoption of Law number

14.020/2020 – government and employees – and the bonus with labor costs of employees, which had no counterpart for the non-involvement of other affected agents (unions and transport companies). There was also no consideration of vacation and 13th salary charges.

It is proposed, for further studies, the adoption of comparability of measures supported by Law number 14.020/2020 in companies from different segments and localities, as well as the conduct of a case study in companies opting for taxation based on real profit, to analyze the effect of deduction of compensatory aid, and in opting for the Simplified Taxation System, to evaluate the impact of the standard in smaller companies.

REFERENCES

Azevedo, R., & Cabello, O. (2020). Controle e transparência sobre os gastos tributários em municípios brasileiros. *Sociedade, Contabilidade e Gestão, 15*(2), 83-99.

Bacarat, E. M., Neto, R. T., & e Accioly, E. (2021). Medida Provisória nº 936/2020: análise da suspensão do contrato de trabalho à luz da ética empresarial. *Revista Argumentum 22*(3), 1229-1248.

Banco Central do Brasil. (2020). *Remuneração dos depósitos de poupança*. Recuperado em 22 de maio, 2020, de https://www4.bcb.gov.br/pec/poupanca/poupanca.asp?frame=1

Botelho, L. H. F., Abrantes, L. A., & Fialho, N. S. (2019). Reflexões sobre as aplicações de políticas de desonerações tributárias no desenvolvimento regional brasileiro. *Cadernos Gestão Pública e Cidadania, 24*(79), 1-20.

Carney, T., & Bennett, B. (2014). Framing pandemic management: new governance, science or culture?. *Health Sociology Review, 23*(2), 136–147.

Carvalho, M. H. F., & Bueno, N. P. (2018). O efeito da carga tributária no crescimento da economia. *Revista Gestão & Tecnologia, 18*(3), 188-204.

Casaca, M. C. G., Casaca, J. E. G., Cordes, M. E. G. & Cordes M. G. G. (2020, mar./abr.). Comparação de dados de infecções e mortes pelo novo Coronavírus de diferentes países do mundo com os dados brasileiros desde o primeiro infectado até o final da primeira quinzena de abril de 2020. *Brazilian Journal of Health Review, 3*(2), 3434-3454.

Confederação Nacional de Serviços (2020, março 25). *A pandemia da COVID-19 e seus impactos na economia mundial e brasileira.* Recuperado em 20 de maio, 2020, de http://www.cnservicos.org.br/wp-content/uploads/2020/03/Impactos-economicos-do-Covid-19-v11.pdf

Constanzi, R. N. (2020, abril). Respostas da Seguridade Social à Crise da Pandemia de Coronavírus/COVID-19. *Boletim Informativo da Fundação Instituto de Pesquisas Econômicas,* (475), 20-31.

Decreto-lei n. 5.452, de 1º de maio de 1943 (1943). Aprova a Consolidação das Leis do Trabalho. Diário Oficial da União: Brasília, DF.

Decreto n. 10.422, de 13 de julho de 2020 (2020). Prorroga os prazos para celebrar os acordos de redução proporcional de jornada e de salário e de suspensão temporária do contrato de trabalho e para efetuar o pagamento dos benefícios emergenciais de que trata a Lei nº 14.020, de 6 de julho de 2020. Diário Oficial da União: Brasília, DF.

Decreto n. 33.645, de 4 de julho de 2020 (2020). Prorroga o isolamento social no estado do Ceará, renova a política de regionalização das medidas de isolamento social, e dá outras providências. Diário Oficial do Estado: Fortaleza, CE.

Decreto n. 33.617, de 6 de junho de 2020 (2020). Prorroga o isolamento social no estado do Ceará, renova a política de regionalização das medidas de isolamento social, e dá outras providências. Diário Oficial do Estado: Fortaleza, CE.

Decreto n. 33.608, de 30 de maio de 2020 (2020). Prorroga o isolamento social no estado do Ceará, na forma do Decreto nº 33.519, de 19 de março de 2020, e institui a regionalização das medidas de isolamento social, e dá outras providências. Diário Oficial do Estado: Fortaleza, CE.

Decreto n. 6, de 20 de março de 2020 (2020). Reconhece, para os fins do art. 65 da Lei Complementar nº 101, de 4 de maio de 2000, a ocorrência do estado de calamidade pública, nos termos da solicitação do Presidente da República encaminhada por meio da Mensagem nº 93, de 18 de março de 2020. Diário Oficial da União: Brasília, DF.

Delgado, M. G. (2019). *Curso de direito do trabalho.* 18. ed. São Paulo, SP: LTR.

Época Negócios. (2013). *Brasil é o país com os encargos trabalhistas mais altos.* Recuperado em 4 de agosto, 2020, de https://epocanegocios.globo.com/Informacao/Visao/noticia/2013/02/brasil-e-o-pais-com-os-encargos-trabalhistas-mais-altos.html

Ferreira, A. A., Reis, A. C. F., & Pereira, M. I. (2002). *Gestão empresarial de Taylor aos nossos dias: evolução e tendências da moderna administração de empresas*. São Paulo, SP: Thonson Learning.

Gassen, C., Ludwig, M. E., & Michels, A. (2019). Relação entre carga tributária e valor adicionado. *Revista de Administração, Contabilidade e Sustentabilidade, 9*(2), 39-48.

Governo Federal (2021a). *Após sucesso em 2020, governo reedita Programa de Manutenção de Emprego e Renda*. Recuperado em 23 de julho, 2021, de https://www.gov.br/economia/pt-br/assuntos/noticias/2021/trabalho/abril/apos-sucesso-em-2020-governo-reedita-programa-de-manutencao-de-emprego-e-renda

Governo Federal (2021). *Seguro-desemprego formal.* Recuperado em 23 de julho, 2021, de https://www.gov.br/trabalho/pt-br/assuntos/trabalhador/seguro-desemprego/seguro-desemprego-formal

Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics Conference*, (50), 127-178. https://doi.org/10.1016/j.jacceco.2010.09.002

Instituto de Ensino e Pesquisa (2020, abril 8). *Levantamento feito pelo núcleo de tributação lista medidas tributárias adotadas por 43 países.* Recuperado em 8 de abril, 2020, de https://www.insper.edu.br/wp-content/uploads/2020/05/Mapeamento_Insper_COVID19_medidas_tributaria_v14_proteg.xlsx.

Instituto de Pesquisa e Estratégia Econômica do Ceará (2014). *Desenvolvimento econômico do Ceará: Evidências recentes e reflexões.* Recuperado em 22 de abril, 2020, de https://www.ipece.ce.gov.br/wp-content/uploads/sites/45/2015/02/Desenvolvimento_Economico_do_Ceara_Evidencias_Recentes_e_Reflexoes.pdf

Lei n. 14.020, de 6 de julho de 2020 (2020). Conversão da Medida Provisória nº 936, de 2020. Diário Oficial da União: Brasília, DF.

Lei n. 13.979, de 6 de fevereiro de 2020 (2020). Dispõe sobre as medidas para enfrentamento da emergência de saúde pública de importância internacional decorrente do coronavírus responsável pelo surto de 2019. Diário Oficial da União: Brasília, DF.

Lora, E. & Fajardo-González, J. (2016). Emprego e impostos na América Latina: um estudo empírico dos efeitos da folha de pagamento, da renda das empresas e dos impostos sobre o valor agregado nos resultados trabalhistas. *Notebooks econômicos, 35*(67), 75-117.

Mancuso, W. P., & Moreira, D. C. (2013). Benefícios tributários valem a pena? Um estudo de formulação de políticas públicas. *Revista de Sociologia e Política, 21*(45), 107-121.

Medida Provisória nº 1.045, de 27 de abril de 2021 (2021). Institui o Novo Programa Emergencial de Manutenção do Emprego e da Renda e dispõe sobre medidas complementares para o enfrentamento das consequências da emergência de saúde pública de importância internacional decorrente do coronavírus (covid-19) no âmbito das relações de trabalho. Diário Oficial da União: Brasília, DF.

Medida Provisória nº 936, de 1º de abril de 2020 (2020). Institui o Programa Emergencial de Manutenção do Emprego e da Renda e dispõe sobre medidas trabalhistas complementares para enfrentamento do estado de calamidade pública reconhecido pelo Decreto Legislativo nº 6, de 20 de março de 2020, e da emergência de saúde pública de importância internacional decorrente do coronavírus (covid-19), de que trata a Lei nº 13.979, de 6 de fevereiro de 2020, e dá outras providências. Diário Oficial da União: Brasília, DF.

Medida Provisória nº 932, de 31 de março de 2020 (2020). Altera as alíquotas de contribuição aos serviços sociais autônomos que especifica e dá outras providências. Diário Oficial da União: Brasília, DF.

Medida Provisória n° 928, de 23 de março de 2020 (2020). Altera a Lei nº 13.979, de 6 de fevereiro de 2020, que dispõe sobre as medidas para enfrentamento da emergência de saúde pública de importância internacional decorrente do coronavírus responsável pelo surto de 2019, e revoga o art. 18 da Medida Provisória nº 927, de 22 de março de 2020. Diário Oficial da União: Brasília, DF.

Medida Provisória n° 927 de 22 de março de 2020 (2020). Dispõe sobre as medidas trabalhistas para enfrentamento do estado de calamidade pública reconhecido pelo Decreto Legislativo nº 6, de 20 de março de 2020, e da emergência de saúde pública de importância internacional decorrente do coronavírus (covid-19), e dá outras providências. Diário Oficial da União: Brasília, DF.

Nasihgil, A. A. N. & Duarte, F. C. (2015, jul./dez.). A flexibilização do Direito do Trabalho como instrumento de desenvolvimento econômico em conflito com o princípio da vedação do retrocesso social. *Revista do Programa de Pós-Graduação em Direito – Universidade Federal do Ceará. Nomos, 35*(2), 117-138.

Pastore, J. (1994). *Flexibilização dos mercados de trabalho e contratação coletiva*. São Paulo, SP: LTR.

Portaria nº 150, de 7 de abril de 2020 (2020). Altera a Portaria ME nº 139, de 3 de abril de 2020, que prorroga o prazo para o recolhimento de tributos federais, na situação que especifica em decorrência da pandemia relacionada ao Coronavírus. Diário Oficial da União: Brasília, DF.

Portaria nº 139 de 3 de abril de 2020 (2020). Prorroga o prazo para o recolhimento de tributos federais, na situação que especifica em decorrência da pandemia relacionada ao Coronavírus. Diário Oficial da União: Brasília, DF.

Schäfer, J. D., Konraht, J. M., & Ferreira, L. F. (2016). O custo tributário nas empresas brasileiras de energia elétrica: uma análise por meio da Demonstração do Valor Adicionado. *Revista Capital Científico - Eletrônica, 14*(3), 84-99.

Silva, M. P., Martins, C. R., & Vendruscolo, M. I. (2015). Custo do trabalho no Brasil: um estudo nas empresas que se destacaram no ranking da internacionalização. *Revista Economia e Desenvolvimento, 14*(1), 126-139.

Souza, F. F., Kachenski, R. B., & Costa, F. (2021). Escritórios de contabilidade e sua relação com os clientes frente à crise da COVID-19. *Revista Catarinense da Ciência Contábil, 20*, e3138.

Souza, F. A. D. S. (2020, jul./dez.). Pandemia do coronavírus e as medidas adotadas no mundo do trabalho pelo Estado: a Lei nº 14.020/2020 e a suspensão temporária dos contratos de trabalho. *Revista do Direito do Trabalho e Meio Ambiente do Trabalho, 6*(2), 20-37.

Welle, D. (2020). *A evolução da pandemia de Coronavírus*. Recuperado em 08 de maio, 2020, de https://www.dw.com/pt-br/a-evolu%C3%A7%C3%A3o-da-pandemia-de-coronav%C3%ADrus/g-52174021

World Health Organization (2020). *WHO Director-General's opening remarks at the media briefing on COVID-19.* Retrieved 19 March, 2020, from https://www.who.int/dg/speeches/detail/who-director-general-s-opening-remarks-at-the-media-briefing-on-covid-19---11-march-2020

Zylberstajn, H. (2020, abril). COVID-19: A Potência das Medidas Trabalhistas. *Boletim Informativo da Fundação Instituto de Pesquisas Econômicas,* (475), pp. 14-19.