



November 2023

A Guide for Employers - "Iron Swords" War

Dear Clients,

This update reviews the Financial Assistance Program Law (Temporary Order - Operation Iron Swords), 5784-2023 (the "**Law**") that was passed by the Knesset on November 9, 2023, and which includes the Ministry of Finance aid framework for businesses harmed by the war, relief and amendments in the unpaid leave track for individuals claiming unemployment benefits, and a grant to employees above the age of 67.

A. Business Continuity Grant

- Under the framework, **the compensation fund will compensate businesses with annual turnovers between NIS 12,000 and up to NIS 400 million** who experienced, in the months of October and November 2023, **at least 25% decrease in turnover for monthly reporting**, or 12.5% decrease in turnover for bi-monthly reporting.
- The Law also establishes **rights for businesses established after September 2, 2022**, which will be assessed according to average monthly turnover for the period of activity ending in August 2023.
- **Businesses using cash accounting** with principal income from end of month (EOM) plus 30-day payments will be given the option to receive compensation based on reporting from November and/or December 2023.
- **VAT-exempt self-employed contractors**, will be granted a fixed sum in accordance with reported turnover (NIS 1,750 for businesses with turnover of up to NIS 49,800; NIS 3,150 for businesses with turnover of up to NIS 90,000, and NIS 4,200 for businesses with turnover of up to NIS 107,000).

The system for submitting claims to the Tax Authority was opened on November 16, 2023, and online requests can be submitted for a period of up to 90 days therefrom. In order to submit a claim, one must have submitted of periodic reports to the VAT Authority for the months of September and October 2023, and keep account books in accordance with the law.

B. Eased Qualifications for Receiving Unemployment Benefits

The Law defines the "Effective Period" as the period between the dates October 7, 2023 and November 30, 2023, during which relief will be provided to employees who apply for unemployment benefits following placement on a leave of absence or employment termination (the "**Framework**"). The Minister of Finance, with the approval of the Knesset Finance Committee, may extend the effective period if required.

The relief provided under the Framework is as follows:

- **Reduced Leave of Absence Period to Qualify for Unemployment Benefits.** Prior to the Framework, payment of unemployment benefits could be made only following a leave of absence for at least 30 days. **Remedy:** During the Effective Period, an employee placed on unpaid leave **for at least 14 days** will be entitled to receive unemployment benefits.
- **Reduced Qualification Period.** Prior to the Framework, an employee would only be entitled to unemployment benefits if employed for 12 of the 18 preceding months at the time of the application. **Remedy:** Under the Framework, employees are entitled to receive unemployment benefits **if employed for 6 out of the 18 preceding months**, and not 12 out of 18 months as was the case prior. **Employees with disabilities are entitled to unemployment benefits if employed for a period of 3 of the 18 preceding months.** The Framework defines disabled persons according to the agreement for a one-time grant payment in April 2020 for specific stipend recipients, and a person entitled to an exemption pursuant to Section 9(5) of the Tax Ordinance.
- **Extended Maximum Payment Period for Unemployment Benefits.** An employee who is not entitled to receive unemployment benefits due to already having received such benefits within the preceding 48-month period, and this resulted in the reduction or preclusion of rights during the Effective Period (such as employees who received unemployment benefits during the period of the COVID-19 pandemic), will be entitled to receive unemployment benefits under the Framework until the end of the Effective Period. **For employees who were evacuated with an entire community, pursuant to government decisions during the Effective Period, will be entitled to receive unemployment benefits until the end of the Effective Period and thereafter, even if such employees have "used up" their maximum available unemployment days.**
- **Exemption to Employer Obligation to Make National Insurance Payments on Behalf of Employees Placed on Unpaid Leave.** In contrast to the legal situation prior to the Framework, for the duration of the Effective Period employers will not be required to make National Insurance payments on behalf of employees placed on unpaid leave.
- **Vacation Days.** Unlike the legal situation prior to the Framework, for the duration of the Effective Period, the accumulated vacation days of an employee placed on unpaid leave will not have to be used before the employee receives unemployment benefits.
- **Elimination of 5-Day Waiting Period to Receive Unemployment Benefits.** Unlike the legal situation prior to the framework, during the Effective Period, an employee who is placed on unpaid leave can receive unemployment benefits, without having to observe the previously mandatory 5-day waiting period.

C. Special Grant to Employees Above the Age of 67

Similar to the framework established during the Covid-19 pandemic, and since employees above the age of 67 are ordinarily not entitled to receive unemployment benefits, the new Framework establishes that a special adaptation grant will be given to employees above age 67, provided that the following conditions are fulfilled: the employee is a **resident of Israel**; the employee was placed on **unpaid leave for at least 14 days** or the employee agreement was terminated; the employee was a **salaried employee** for at least three consecutive months immediately preceding the placement on unpaid leave or employment termination, as applicable.

The grant will amount to 75% of the employee's average salary in the 3 out of the 6 months before the employee's absence from work, according to the highest salaries during these months, with payments capped at NIS 134 per day.

D. Amendment to the Employment of Women Law

The Employment of Women Law, 5714-1954, was amended to grant relief to employers who wish to place on unpaid leave or terminate an employment agreement during the 60-day period following maternity leave (the "**Amendment**"). Prior to the Amendment, it was not possible for an employer to request a permit from the Ministry of Labor to terminate employees, unless the employer's business had "ceased to operate".

- (a) **Unpaid Leave.** A permit application can be submitted to authorize unpaid leave for an employee within the 60-day period after maternity leave. This unpaid leave period pauses the tally of the "protected" 60 day period. Once the employee returns from the unpaid leave, the counting of the protected days will resume until it reaches the total of 60 days.
- (b) **Termination.** A permit application can be submitted to terminate an employee who was placed on unpaid leave during the 60-day period after maternity leave, regardless of whether the employer's business has "ceased to operate". This will be permitted as long as the 60 days from the end of the maternity leave have passed, even if such 60 days coincide with the unpaid leave period.

E. Increased remuneration for reserve duty service

The National Insurance Law (Amendment No. 238 - Temporary Order – Operation Iron Swords) (Remuneration for Reserve Duty Soldiers), 5784-2023, has raised the maximum compensation for employees conscripted for military reserve duties during the ongoing war.

This increased compensation will be applied retroactively from October 7, 2023, and will last until December 31, 2023. It provides improved reserve duty remuneration by raising the minimum payments for anyone drafted during such period.

Accordingly, the minimum daily compensation amount was raised to NIS 300.61 and the minimum monthly compensation amount was raised to NIS 9,018.

We hope for better days ahead.

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