

Revisiting 13th and 14th Month Bonus Rules in Latin America, Europe, Africa and Asia

A large number of countries mandate or customarily provide “extra month” bonuses. However, laws and practices vary widely, making it hard for companies to keep up in every market.

Employers with operations in multiple countries are constantly reminded that global HR administration is a complex task, even on issues that appear to be fairly straightforward like the delivery of base pay. For example, employees in many countries are entitled to so-called 13th and 14th month bonuses by law, collective agreement, individual employment contract, or vacation and holidays rules. We last touched upon this subject in a widely-read [article](#) two and half years ago, and in this report, we revisit 13th and 14th month bonuses after an updated review of local employment laws around the world.

Calculating Bonus Amounts

Generally, 13th month bonuses are equal to 1/12 of an employee’s pay in the preceding 12 months, but there are various approaches to calculating the amount, especially in Latin America. Key exceptions include:

- In Argentina, bonuses are based on the highest month’s salary in the preceding six months.
- In Bolivia, bonuses are based on average total pay during the three months prior to payment; however, if GDP growth exceeds a specified percentage, the bonus amount may be doubled.
- In Nicaragua, bonuses are based on the employee’s November paycheck or the highest month of pay during the preceding six months.
- Puerto Rico caps bonuses at 6% of pay, up to USD \$10,000, in workplaces with more than 15 employees and 3% of pay, up to USD \$10,000, in workplaces with up to 15 employees.
- In El Salvador, bonuses are a function of tenure: one to three years of service equates to 10 days of pay; three to ten years of service equates to 15 days of pay; and 10 or more years equates to 18 days of pay.

The overall prevalence of 14th month bonuses is far lower, and where they exist, they tend to come in two forms: mandated holiday bonuses or, like with 13th month bonuses, another month of base pay that is paid at mid-year. However, again, variations in practice exist.

Bonus Requirements in Latin America

Among the world’s major geographic regions, 13th month bonuses are most frequently required by law in Latin America. Fourteenth month bonuses are also required in a few select countries. Figure 1 below outlines key requirements and practices across the region.

In most Latin American countries, 13th month bonuses are referred to as the “**aguinaldo**.” Typically, it is considered a Christmas bonus and must be paid in December. In some countries, however, half of the bonus is paid in December and the other half is paid at another time as specified by employment law. Below are the payment schedules for countries that don’t pay the entire 13th month bonus in December:

- In Colombia, half of the bonus is paid in December and the other half in June if employees are not receiving an “integrated salary”— that is, employees who earn more than 10 times the statutory minimum wage. The integrated salary must equal at least 130% of 10 times the minimum wage.
- In Brazil, half of the bonus amount is paid in November, although employees who take vacation between February and October may request that a prorated portion be paid at the time of their vacation.
- In Guatemala, half must be paid no later than January 30.
- The extra bonus is paid in three installments in Panama, one installment every four months.
- In Venezuela, typically the bonus is paid at year-end, but a different payment time may be established by collective agreement.

Figure 1

13th and 14th Month Bonus Requirements in Latin American Countries

Country	13th Month Bonus	14th Month Bonus	Notes on Payments
Argentina	Mandatory		Paid in 50% installments by June 30 and December 18
Bolivia	Mandatory	Mandatory second holiday bonus*	Christmas bonus is tax-free equal to one month’s wages at end of each year; second holiday bonus required <i>if</i> GDP is over 4.5%
Brazil	Mandatory	Mandatory holiday bonus	13th month bonus: half due by November 30, half due by December 20
Chile	Customary		Paid either in two installments, September and December, or in one installment in December
Colombia	Mandatory		50% paid within first 15 days of June, 50% paid within first 20 days in December

Figure 1 continued on next page

Country	13th Month Bonus	14th Month Bonus	Notes on Payments
Costa Rica	Mandatory		Paid within the first 20 days of December
Dominican Republic	Mandatory		Paid by December 20
Ecuador	Mandatory	Mandatory	Paid in installments, but employees may opt for lump sum. Total bonus equal to 15% of employer profits, subject to a cap of 24 times the minimum wage
El Salvador	Mandatory		Christmas bonus based on years of service
Guatemala	Mandatory	Mandatory	Each bonus equal to one month's salary; paid at mid-year and year-end
Honduras	Mandatory	Mandatory	13th month bonus paid in December; 14th month bonus in July. Each bonus equal to one month's salary
Mexico	Mandatory		Christmas bonus paid by December 20
Nicaragua	Mandatory		Paid by December 10; equal to one month's salary
Panama	Mandatory		Paid in three equal installments on April 15, August 15 and December 15
Paraguay	Mandatory		Paid at year-end
Peru	Mandatory	Mandatory	Paid in July and December
Puerto Rico	Mandatory		Minimum service requirement of 1,350 hours (increased from 700 hours). For companies with at least 20 employees, bonus is 2% of pay and \$300 for companies with fewer than 20 employees. During the first year of employment, employees receive half. Paid between November 15 and December 15
Uruguay	Mandatory		Paid in 2 installments by June 30 and year-end
Venezuela	Mandatory		Paid at year-end

Source: Aon Global Benefits

Bonus Requirements in Europe and Africa

Though less common than in Latin American countries, some countries in Europe and Africa require employers to pay 13th and 14th month bonuses— examples include Spain, Portugal, and Greece. In many other countries, an additional bonus is customary or set by industry groups, but is not legally binding. Figure 2 below outlines key requirements and practices across the two regions.

Practices to make special note of include:

- In Spain, annual pay is divided into 14 installments; the two additional installments are payable in July and December.
- In Portugal, an additional month’s pay is payable at the time of annual leave and in December.
- In Greece, an additional month’s pay is due in December, and employees receive one-half month’s pay at Easter and another half month at vacation time. It is more common for an additional month of pay to be mandated by collective agreement.
- In Austria, Belgium, Cyprus, France, Germany, and Italy, 13th month bonuses are typically set by a national or industry agreement. These agreements fix the amount, timing of payment, and other provisions, such as a length-of-service increase.

Figure 2
13th and 14th Month Bonus Requirements in European and African Countries

Country	13th Month Bonus	14th Month Bonus	Notes on Payments
Angola	Mandatory vacation bonus	Mandatory Christmas bonus	Bonus is paid before vacation is taken; Christmas bonus paid in December
Austria	Customary	Customary	13th payment at the end of June, 14th at end of November
Belgium	Customary	Mandatory holiday bonus	13 th month bonus usually at year-end; holiday bonus paid at time of holiday
Croatia	Customary		Often paid around Christmas or Easter; amounts are unspecified
Finland	Customary		Usually paid before the holiday begins
France	Customary		Usually paid at year-end

Figure 2 continued on next page

Country	13th Month Bonus	14th Month Bonus	Notes on Payments
Germany	Customary		A “gratuity” Generally paid at Christmas
Greece	Mandatory	Mandatory vacation and 14th month bonuses	Paid on Easter, Christmas and summer vacation
Italy	Customary	Sometimes paid 14th month bonus	13 th month bonus paid in December; 14th month bonus paid in June
Luxembourg	Customary		Usually paid at year-end
Netherlands	Customary		Often paid around November or December
Nigeria	Customary		Often paid before Christmas
Portugal	Mandatory		Paid annually by December 15
Saudi Arabia	Customary		Paid on Eid al-Fitr holiday
Slovakia	Customary		Generally paid at year-end
South Africa	Customary		A special bonus or “check” generally paid at year-end
Spain	Mandatory	Mandatory	Generally paid in the summer and Christmas
Switzerland	Customary		Generally paid at year-end
United Arab Emirates	Customary	Customary	Generally paid at year-end

Source: Aon Global Benefits

Bonus Requirements in Asia

As is the case in Europe, many employers in Asia award additional bonuses because of customary market practices rather than mandatory laws. In fact, Indonesia and the Philippines are the only two countries that mandate 13th month bonuses. Figure 3 below outlines key requirements and practices across the region.

Practices to make special note of include:

- Employers in Indonesia are required to pay a bonus to employees with three or more months of service at least seven days in advance of their religious holiday (Eid al-Fitr for Muslims, Christmas for Christians, Nyepi Day for Hindus, and Waisak for Buddhists). The bonuses are a minimum of one month's pay.
- Employers in the Philippines are required to pay employees a bonus equivalent to one month's pay no later than December 24. The 13th month bonus is calculated by taking 1/12 of the employee's total basic salary earned for the year excluding overtime, holiday and night shift differential pay. Employers may pay half of the bonus in the middle of the year or at the beginning of the regular school year.

Figure 3
13th and 14th Month Bonus Requirements in Asian Countries

Country	13th Month Bonus	14th Month Bonus	Notes on Payments
China	Customary		Paid during the month of the Lunar New Year or Spring Holiday
Hong Kong	Customary		Generally paid at Lunar New Year or year-end
India	Generally mandatory bonus of percent of annual salary		Paid within 8 months of the end of the financial year
Indonesia	Mandatory religious holiday bonus		Paid at least one week before the holiday
Japan	Customary summer bonus	Customary winter bonus	Paid in June and December
Malaysia	Customary		Paid at year-end
Philippines	Mandatory		Paid by December 24
Singapore	Customary		Generally paid at year-end
Taiwan	Customary		Generally paid at Lunar New Year
Vietnam	Customary		Generally paid at Lunar New Year

Source: Aon Global Benefits

Next Steps

Now that you know the rules of the road, there are still a few more issues to consider. Employers should be aware that workers may not be eligible for 13th and 14th bonuses if they do not meet certain eligibility requirements, including years of service or salary limits. Pro-rata payments may be required if the employee does not meet the service requirement or if employment is terminated. In the event the bonus is statutory, employment law provisions should be consulted. If the bonus is mandatory, the collective agreement *must* be consulted.

Companies should also check the employment laws of the relevant country where the employee is located to determine how the extra month bonus is calculated (e.g., from base pay, base pay plus overtime, commissions, and other bonuses or forms of compensation).

Finally, employers should keep in mind that there may be other required incentives or profit-related bonuses required beyond the 13th or 14th month bonus.

As is clear from Figures 1-3, local compensation laws can vary widely and as more companies operate in multiple jurisdictions, they should remain vigilant about current and any future changes to laws that have a direct impact on payroll.

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