



## **COVID-19 ECONOMIC RELIEF MEASURES PACKAGE FOR BUSINESSES**

In the current context of the coronavirus disease 2019 (Covid-19), it is likely that several businesses will be unable to pay outgoing due to severe cash-flow shortages.

As stated by International Monetary Fund, this crisis is not simply about liquidity, but primarily about solvency at a time when large segments of the global economy have come to a complete stop.

Sectors of tourism, non-food retail, automotive and components, textile/clothing, consumer durables and leisure and cultural activities will be the most affected by this crisis. Other sectors, such as construction and real estate, which were developing positively in 2020, will also suffer a reversal in the upward trend of their activity.

In seeking to mitigate the economic impact of Covid-19, the Portuguese Government approved crisis containment measures – legal, financial, and regulatory – to protect businesses (and individuals) negatively affected by the Covid-19 pandemic.

The measures implemented can be generally divided into four categories: (i) financial measures - moratorium on credits and financial incentive measures; (ii) tax and contributory measures; (iii) employment - simplified lay-off regime and extraordinary training plan; and (iv) real estate – moratorium on rents. A summary of these measures is detailed below.

### **1. FINANCING**

#### **1.1. Moratorium on loans**

##### **Measures**

- It is prohibited to cancel, in whole or in part, the credit facilities and loans granted on or before 27 March 2020, during the period in which the measure is in force. Banks and other financing entities cannot refuse financing that had already been approved;
- For bullet loans in force on or before 27 March 2020, extension of the maturity as well as of any ancillary obligations, including interest and guarantees, namely provided through insurance or in securities;
- For other loans in force on or before 27 March 2020, suspension of payment of instalments, rents, guarantees and interest and automatic extension of the payments schedule. The contractual payment plan for the instalments of capital, rent, interest, commissions, and other charges will be automatically extended for a period identical to that of the suspension. There are no charges other than those that may arise from the variability of the contracted reference interest rate.

##### **Who can benefit?**

SMEs that have their headquarters and carry out their economic activity in Portugal and that, as of 18 March 2020, were not in:



- Default of cash payments towards financial institutions for more than 90 days or, if they were, did not meet the materiality threshold established in the Bank of Portugal's Notice 2/2019 and Regulation (EU) 2018/1845 of the European Central Bank of 21 November 2018;
- An insolvency, suspension, or cessation of payments situation or subject to an enforcement proceeding;
- Default towards the Tax Authority and the Social Security.

Sole owners of businesses, charities and non-profit organizations may also be eligible.

The financing covered by this measure applies to credit operations granted by credit institutions, financing, leasing, factoring and mutual guarantee companies, as well as branches of credit institution with operating in Portugal

#### **Duration**

Until 31 March 2021.

#### **1.2. Financial incentive programs**

##### **Measures**

- According to IAPMEI, requests for incentive reimbursement submitted by companies will be settled as soon as possible, using, if necessary, a transitional upfront payment up to 80% of the incentive;
- Extension (for 12 months) and without interest, of the repayment term of loans granted under QREN or Portugal 2020, in situations of decrease in turnover or reserves or orders over 20% in the two months prior to the request for modification of the repayment plan, compared to the same period in the previous year;
- Eligibility of the expenses incurred with cancelled or postponed initiatives or events, foreseen in projects approved by Portugal 2020 and other funding programs;
- Consideration of the negative impacts of Covid-19 in case of insufficient implementation of actions or objectives established in the grant agreements of Portugal 2020;
- Extraordinary financial incentive to ensure the normalization phase, to prevent the risk of unemployment and the maintenance of jobs (up to one minimum wage per employee);
- Strengthening of the response capacity of IAPMEI and of Turismo de Portugal for the assistance to the impact caused by Covid-19;
- The "Capitalizar" Financial Facility – Covid-19 was created, worth EUR 200 million, to support companies whose activity is affected by the economic effects resulting from the outbreak. This Financial Facility is aimed at companies whose sales have decreased by at least 20% in the last 60 days (compared to the same period last year) preceding the submission of the application to this Financial Facility;
- Extension of the deadline for the submission of applications to calls under "Portugal 2020" incentive program.

**Who can benefit?**

- Companies that have their headquarters and carry out their economic activity in Portugal. They cannot also have debts to the Tax Authority and the Social Security;
- These credit lines are also available for sectors strongly affected by the Covid-19 pandemic, such as tourism, restauration, and the industrial sector, for instance, textiles and footwear.

**Duration**

Depending on the incentive program.

**Where can you read more about these measures?**

[Covid-19: Moratorium on credits](#)

[Covid-19: Extension of the moratorium on bank credits](#)

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**2. TAX**

**2.1. Deferral of the deadlines of the special payment on account, corporate income tax (CIT) and payment on account**

**Measures**

Deferral of the deadline regarding the first instalment of the special payment on account – which should be made in March, with no penalty.

**Who can benefit?**

Companies subject to special payment on account.

**Duration**

Until 30 June 2020.

**Measures**

Deferral of the deadline for submission of the CIT return ("Modelo 22") for the 2019 tax period, with no penalty.

**Who can benefit?**

Companies subject to Corporate Income Tax.

**Duration**

Until 31 July 2020.

**Measures**

Deferral of the deadline regarding the 1st instalment of the payment on account and the 1st instalment of the additional payment on account – which should be made in July – to 31 August 2020, with no penalty.

**Who can benefit?**

Companies subject to payment on account and additional payment on account.



#### **Duration**

Until 31 August 2020.

### **2.2. Deferral of delivery of VAT and withholding taxes**

#### **Measures**

Payment of VAT and CIT and personal income tax (PIT) withholdings in three- or six-monthly instalments, interest free.

#### **Who can benefit?**

- Companies with a turnover up to EUR 10 million in 2019;
- Companies that have started their activity as of 1 January 2019 or that operate in closed sectors;
- Companies that have been closed under the emergency state decree;
- Companies with a drop above 20% of turnover compared to the average of the 3 months prior to the month of the obligation, compared to the same period of the previous year;
- Self-employed individuals.

### **2.3. Deferral of the social security contributions**

#### **Measures**

Companies may only pay a third of the total amount of the Social Security contributions in March, April, and May 2020. The remaining two thirds will be deferred to the 2nd semester of 2020, paid through a three or six-monthly instalments plan, without interest. The remaining two thirds will be paid in equal and successive instalments in July, August, and September 2020 or from July to December 2020.

#### **Who can benefit?**

- Companies with a turnover up to EUR 10 million in 2018;
- Companies that have started their activity as of 1 January 2019 or that operate in closed sectors;
- Companies that have been closed under the emergency state decree;
- Companies with a drop above 20% of turnover compared to the average of the three months prior to the month of the obligation, compared to the same period of the previous year.

#### **Duration**

July, August, and September 2020 or from July to December 2020.

#### **Where can you read more about these measures?**

[Covid-19: Fiscal support measures](#)

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### 3. EMPLOYMENT-RELATED MATTERS

#### 3.1. Simplified lay-off (employment contracts may be suspended, or the normal working period can be reduced)

##### Measures

- Financial support granted by the social security to companies adhering to simplified lay-off, equivalent to 70% of 2/3 of the employee's gross salary up to EUR 1,905; the remaining 30% being borne by the employer;
- This financial support can be added by a training scholarship, with a maximum amount of EUR 131,64 (half of which to be granted to the employee and the remaining part to the employer);
- If the normal working period is reduced to more than 66% of the normal period (for example, the employee works 80% of the normal working period), the employee receives the number of hours worked (80%), but the Social Security only contributes up to 2/3 (66%) of the salary;

During the lay-off period and in the following 60 days, the employer may not terminate employment contracts by way of collective dismissal nor redundancy of the job position.

##### Who can benefit?

Employers, which fulfil one of the following conditions:

- Total or partial closure of the company or the establishment resulting from statutory close of facilities and establishments;
- Total shutdown of the company or the establishment activity resulting from the interruption of global supply chains, suspension, or cancellation of orders or reservations;
- Abrupt and steep drop of at least 40% of the turnover in the period of 30 days prior to the filing of the company's application with the social security services, with reference to the monthly average turnover of the two months prior to this period or comparing to the equivalent last year's month.

The employer may not be in default towards the Tax Authority and the Social Security.

##### Duration

One-month, monthly renewable up to six months.

#### 3.2. Extraordinary professional training measures

##### Measures

The financial support is granted depending on the training hours for each employee and is limited to 50% of the employee's gross salary with a maximum limit of EUR 635.

##### Who can benefit?

Companies facing a business crisis, but which have not benefited from the simplified lay-off.

**Duration**

One-month.

**3.3. Temporary exemption from contributions payment to the Social Security**

**Measures**

Exemption from Social Security contributions by employers (only employers' contributions).

**Who can benefit?**

Employers benefiting from the simplified lay-off, extraordinary professional training measures, or extraordinary financial support. Employers must prove that their contributions and tax payments are up to date with Social Security and the Tax Authority.

**Duration**

During the simplified lay-off period and/or the extraordinary professional training measures.

**3.4. Extraordinary financial support to facilitate the payment of salaries in the activity normalization phase**

**Measures**

- Maximum of EUR 635, per employee, to be paid by IEFEP – *Instituto do Emprego e Formação Profissional*;
- A complementary aid may be granted up to EUR 351, per employee, to be paid by IEFEP;
- An extraordinary financial support of up to EUR 635, per employee, may be granted and paid by IEFEP.

**Who can benefit?**

Employers benefiting from the simplified lay-off or the extraordinary professional training measures.

**Duration**

Until 30 September 2020.

**3.5 Extraordinary incentives for the normalization phase**

**Measures**

- Support in the amount of a minimum monthly guaranteed payment (EUR 635.00), paid in one lump sum per worker who has benefited from the simplified lay-off;
- Support in the amount of two guaranteed monthly minimum wages (1,270 euros), paid in two instalments over six months per worker who has benefited from the simplified lay-off;

**Who can benefit?**

Companies that are in a position to resume their activity, provided that they have benefited from the simplified lay-off scheme or the extraordinary training plan.

**Duration**

No deadline is imposed.

**Where can you read more about these measures?**

[Covid-19: Absence from work](#)

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[Covid-19: New extraordinary measures](#)

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[Covid-19: Fast track lay-off](#)

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[Covid-19: Privacy in time of pandemic – taking employees’ temperatures?](#)

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[Covid-19: New social protection policies](#)

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[Covid-19: teleworking can persist, but it is no longer mandatory](#)

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[Covid-19: New measures to support resuming work](#)

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[Covid-19: Simplified Lay-off and incentives to normalize the activity](#)

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[Covid-19: Extraordinary financial incentive to normalize business activity](#)

**4. REAL ESTATE**

**4.1. Deferral of rents payment**

**Measures**

- Tenants with businesses under lockdown or activity restrictions due to mitigation and containment measures may defer payment of the rents falling into this period to the subsequent 12-month period counting from 1 September 2020, where the deferred amount should be paid in monthly instalments of not less than 1/12 of the total amount together with the relevant rents. No penalty for delay may be claimed to tenants;
- Suspension of early termination of lease agreements by landlords;
- Suspension of expiry of lease agreements at the end of the relevant term (unless accepted by tenants);
- Prohibition of termination of commercial lease agreements on the grounds of business lockdown or activity restrictions.

**Who can benefit?**

Tenants of commercial lease agreements or other means of commercial exploitation of property.

**Duration**

Until 30 June 2021, at most.

**Where can you read more about these measures?**

[Covid-19: payment of rents may be postponed](#)

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[Covid-19: lease agreements regulatory update](#)

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