

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

In the current context of the coronavirus disease 2019 (Covid-19), several businesses face the possibility of not being able to pay their debts in the short or medium term, because of cash-flow problems generated by the worldwide implementation of restrictive pandemic response measures.

As stated by the 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.

Tourism, non-food retail, automotive and components, textile/clothing, consumer durables and leisure and cultural activities are the most affected sectors. Other sectors, such as construction and real estate, which were developing positively in 2019 and in the beginning of 2020, have also suffer a reversal in the previously upward trend of their activity, namely from the second trimester of 2020 onwards.

To mitigate the economic impact of Covid-19, the Portuguese Government approved a set of legal, financial, and regulatory measures 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 incentives;
- (ii) Tax and contributory measures;
- (iii) Employment measures – simplified lay-off regime and extraordinary training plan;
- (iv) Real estate measures – moratorium on rents.

A summary of these measures is detailed below.

I. FINANCING

I.1. Moratorium on loans

Measures

- Prohibition to cancel, in whole or in part, the credit facilities and loans granted on or before March 27, 2020. Banks and other financing entities cannot refuse financing already approved before that date;
- Extension of bullet loans in force on or before March 27, 2020, including interest, guarantees or any other associated costs;
- For other loans in force on or before March 27, 2020 it is suspended the payment of capital, rents, guarantees. The contractual payment plan for the instalments of capital, rent, interest, commissions, and other charges is 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 with headquarters and economic activity in Portugal, if they are not in one of the following situations:

- In default to financial institutions for more than 90 days on January 1, 2021 and not meeting 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;
- Suspension or termination of other payments;
- Insolvency;
- Subject to enforcement proceedings;
- Debt to Tax Authority or to Social Security over EUR 5,000.00, in the absence of a negotiation process for debt regularization.

The sole owners of businesses, charities and non-profit organizations may also be eligible for loan moratorium measures, if they have their home office in Portugal.

Credit operations granted by credit institutions, financing, leasing, factoring and mutual guarantee companies, as well as credit institution branches operating in Portugal are covered by the financial measures described.

Duration

SME's can request the application of the moratorium until March 31, 2021, by communicating its adhesion to the credit institution. The duration of the moratoriums has been extended but each moratorium cannot last more than nine months following the date of the adhesion communication.

1.2. Financial incentive programs

Measures

- According to IAPMEI, the instalments of refundable incentives due until September 30, 2020 can be deferred for 12 months, without interest charges or any other penalty. This deferment is also applicable to future instalments regarding settlement plans, within the scope of QREN and QCAIII incentive system projects and to the reimbursement plans established until the closing of these programs projects;
- Eligibility of the expenses incurred with cancelled or postponed initiatives or events presented in projects approved by Portugal 2020 Program and other funding programs;
- Evaluation of the negative impacts of Covid-19 in case of insufficient enforcement of actions or objectives established in the Portugal 2020 Program benefit agreements;
- Additional financial incentive to ensure the normalization phase, to prevent unemployment and to secure jobs (up to one minimum wage per employee);
- Strengthening of IAPMEI and of Turismo de Portugal response for the assistance to the impact caused by Covid-19;
- Creation of *Capitalizar – Covid-19* credit line, worth EUR 400 million, to support companies that have seen their activity affected by the pandemic. *Capitalizar – Covid-19* is aimed at companies with

a decreasing of sales by at least 20% in the 60 days preceding the submission of the application to the line of credit (compared to the same period last year);

- Extension of the deadline for the submission of applications to the “Portugal 2020” Program.

Who can benefit?

- Companies that have their headquarters and carry out their economic activity in Portugal;
- Companies with debts to the Tax Authority or the Social Security are not eligible;
- The 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

Depends on the incentive program.

Where can you read more about these measures?

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

2. TAX

2.1. Reimbursement of special payments on account

Measures

Full refund of special payments on account regarding the tax periods between 2014 and 2019, not deduced until the tax return for 2019.

Who can benefit?

Micro, small, and medium companies and cooperatives.

Duration

Until the end of January 2021 or until the end of the sixth month following the deadline for submitting the periodic tax return (in which case the 2019 tax period will be different from the calendar year).

2.2. Obligation to submit tax return statement form number 22 (Corporate Income Tax – “CIT”)

Measures

As of March 1, 2021, the functionalities for filing the CIT tax return for 2020 (income statement form no 22) and respective payment are available on the Taxpayers Website.

Who can benefit?

Taxpayers subject to Corporate Income Tax.

2.3. Compliance with IES/Annual tax declaration filing

Measures

From January 1, 2021, the IES/annual tax declaration can be submitted through the Taxpayers Website.

Who can benefit?

All taxpayers who have an obligation to submit IES/Annual tax declaration.

2.4. Obligation to submit income statement form number 10 (Personal Income Tax – “PIT”)

Measures

The obligation to submit the income statement form number 10, provided in Article 119 of PIT Code, can be fulfilled until February 25, 2021.

Who can benefit?

Taxpayers who must declare income paid or made available and respective tax withholdings, mandatory contributions to social protection regimes or health subsystems, and union fees.

Duration

Until February 25, 2021.

2.5. Payment in instalments of PIT and CIT debts

Measures

PIT debts equal to or less than EUR 5,000.00 and CIT debts equal to or less than EUR 10,000.00 can be paid in installments, without any additional guarantee from the taxpayer:

- In the voluntary payment phase;
- If there are no other debts to the Tax Authority; and
- If the debt is due until December 31, 2020.

Who can benefit?

Taxpayers with PIT debts equal to or less than EUR 5,000.00, and taxpayers with CIT debts equal or less than EUR 10,000.00.

2.6. Deferral of submission and payment of periodic VAT returns

Measures

Monthly VAT declarations to be submitted in November 2020, December 2020 and January, February, March, April and May 2021, and quarterly VAT declarations to be submitted in November 2020, February and May 2021, can be filed until the 20th of each month, and the corresponding payment can be made until the 25th of each month.

Who can benefit?

All taxable persons with obligation to submit periodic VAT declarations.

2.7. Deferral of VAT delivery in the first semester of 2021

Measures

In the first semester of 2021, the VAT payment in the monthly regime can take place until the end of the period for voluntary payment or in three- or six-monthly instalments equal to or greater than EUR 25,00, without interest or collateral.

Who can benefit?

Taxpayers:

- With a turnover of up to 2 million euros, computed in 2019;
- Who started or restarted their activity on or after January 1, 2020;
- With a turnover decrease of at least 25% in the monthly average of the full 2020 calendar, compared to the same period of the previous year.

Measures

In the first half of 2021, the quarterly VAT payment can be made until the end of the period for voluntary payment or in three- or six-monthly instalments equal to or greater than EUR 25,00, without interest or collaterals.

Who can benefit?

Taxpayers covered by the quarterly regime.

2.8. Suspension of Deadlines in Tax Justice

Measures

Suspension of ongoing or future tax execution proceedings. This suspension implies:

- The prohibition of pledging collaterals or operating credit compensations resulting from reimbursement, officious revision, claim or judicial impugnation of any tax act by the taxpayer;
- The suspension of prescription and forfeiture periods concerning all types of tax proceedings and procedures pending or initiated on or after January 1, 2021.

Who can benefit?

All taxpayers.

Duration

Between January 1 and March 31, 2021.

2.9. VAT Refunds

Measures

Entitlement to a refund of 50% of the VAT incurred and not deductible for expenses regarding the organization of congresses, fairs, exhibitions, seminars, conferences, and similar activities.

Who can benefit?

Entities with the following Portuguese Classification of Main Economic Activities: "82300 - Organization of fairs, congresses and other similar events".

Duration

Until December 31, 2021.

2.10. Incentive Support Program (“Programa Apoioar”)

Measures

The program is extended to losses occurred in the fourth quarter of 2020 and in the first quarter of 2021.

Who can benefit?

- Micro, small and medium-sized companies;
- Companies with a turnover of less than EUR 50 million;
- Individual entrepreneurs;
- Provided that they operate in sectors affected by the sanitary crisis mitigation measures.

Duration

- Companies: the application period starts on January 21, 2021;
- Individual Entrepreneurs: the application Period starts on January 28, 2021;
- The application period ends with the depletion of the budget allocation.

Where can you read more about these measures?

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

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

3. EMPLOYMENT-RELATED MATTERS

3.1. Simplified lay-off (extraordinary support for keeping employment contracts)

Who can benefit?

Employers (private employers), which have no debts before the Tax Authority or the Social Security and meet one of the following conditions: suspension of activities and the total or partial closure of the company or the establishment resulting from a legal or administrative measure.

Measures

- Financial support equivalent to 70% of 2/3 of the normal gross remuneration, up to EUR 1,905; the remaining 30% are taken 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 to the employer);

- Allocation of retributive compensation to the employee corresponding to 100% of his/her ordinary gross remuneration, with a limit of 3 times the statutory minimum monthly salary (3 x EUR 635);
- During the application of the simplified lay off, the employer is exempt from payment of social security contributions on the part of the employer for all remuneration (remuneration for work and retaxing compensation) paid to employees covered by the support, maintaining the contribution of 11% for the employee.

Employer's Obligations

During the lay-off period and in the following 60 days, the employer may not terminate employment contracts under the arrangements of collective dismissal or dismissal for termination of the job in relation to any employees.

Duration

Up to one month. It may be extended monthly while remaining the mandatory closure of the activity.

3.2. Extraordinary professional training measures

Who can benefit?

Companies facing a business crisis and not benefiting from the simplified lay-off.

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.

Duration

One-month.

3.3. Extraordinary incentive to normalize the activity

Who can benefit?

Companies restarting their activity, if they have benefited from the simplified lay-off scheme or the extraordinary training plan.

Measures

- Support in the amount of a statutory minimum monthly salary (EUR 635), paid at once, per employee covered by the simplified lay-off or the extraordinary training plan;
- Support in the amount of two statutory minimum monthly salaries (EUR 1,270), paid in two instalments over six months, per employee covered by the simplified lay-off or extraordinary training plan;
- Partial exemption of 50% of the payment of social security contributions borne by the employer in addition to the incentive of EUR 1,270;
- Full exemption from contributions by companies for two months provided that fixed-term employment contracts are signed within three months after the incentive grant, and from which result a net increase of the employment level.

Duration

No deadline. Companies may request the incentive before or after the end of the simplified lay-off or the extraordinary training plan.

3.4. Extraordinary support for the progressive resumption of activity in companies in business crisis situations

Who can access it?

Employers (private companies) with an invoicing breakdown equal to or higher than 25% in a situation of business crisis and that have no debts before the Social Security and the Tax Authority; self-employed persons who are employers; and members of statutory bodies.

Measures

- Temporary reduction of the normal working period of employees, and members of the statutory bodies with management functions and included in the company's payroll statements;
- According to the invoicing breakdown, the normal working period may be reduced up to the following limits:
 - Invoicing breakdown => 25%, the normal working period may be reduced up to 33%;
 - Invoicing breakdown => 40%, the normal working period may be reduced up to 40%;
 - Invoicing breakdown => 60%, the normal working period may be reduced up to 60%;
 - For employers with an invoicing breakdown equal to or higher than 75%, the normal working period may be reduced, per employee, up to: (i) 100% in January, February, March and April 2021; (ii) 75% in May and June 2021.
 - Invoicing breakdown =>70%, the normal working period may be reduced from 75% to 100%.
- Financial support to employers for exclusively paying compensation to employees covered by a reduction of their normal working period. This financial support corresponds to the missing hours in the amount of 4/5 of the gross salary;
- Payment of 70% of compensation by the Social Security. The remaining 30% is to be borne by the employer;
- Payment of 100% of compensation by the Social Security, in situations where the reduction of the normal working period exceeds 60% and the invoicing breakdown is higher than 75%;
- Additional support for companies with an invoicing breakdown equal to or higher than 75%. The Social Security bears 35% of the normal gross salary in consideration for the hours worked by and due to each employee covered by the reduction of the normal working period;
- Increase in compensation to ensure the employee's normal gross salary up to EUR 1,995.
- Partial exemption from payment of Social Security contributions by the employer as to employees covered by the incentive scheme.

Duration

One calendar month. Month-to-month extension until June 30, 2021.

Where can you read more about these measures?

[Covid-19: the return of mandatory remote work](#)

[Covid-19: "AERP" Flexibility](#)

[Covid 19: New "Simplified Lay-Off"](#)

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

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

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

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

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

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

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

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

4. REAL ESTATE

4.1. Termination of lease contracts

Measures

- Suspension of early termination of leases by landlords;
- Suspension of the expiry of leases at the end of the relevant period (unless accepted by the tenants);
- Suspension of cancellations and oppositions to the renewal of leases made by the landlord;
- Suspension of foreclosures of mortgages on the personal and permanent residence of taxable individuals.

Who can benefit?

Tenants of commercial lease agreements and housing lease agreements.

Duration

Until June 30, 2021, at most.

4.2. Payment of rents

Measures

Deferral of the rent payment schedule.

Who can benefit?

Tenants of housing leases who meet the following conditions:

- A decrease of more than 20% in the tenant's household income compared to February 2020, the previous month, or the same period of the previous year; and/or
- A household effort rate of 35% or more for the tenant, based on the percentage of the income of all members in the household.

Tenants of non-residential rental contracts under the following conditions:

- Closure or restriction of activity due to Covid-19 mitigation and containment measures; and
- The debt settlement period will begin on January 1, 2022 and will last until December 31, 2023. The regularization will be made in 24 successive instalments, paid simultaneously with the rent of the current month.

Duration

Until July 1, 2021, at most.

4.3. Financial Aid

Measures

- Outright grants;
- Credit lines.

Who can benefit?

Tenants of housing leases:

Interest-free loan to cover the payment of rent due up to a maximum effort rate of 35%, granted by the Portuguese Institute for Housing and Urban Rehabilitation (IHRU – *Instituto da Habitação e da Reabilitação Urbana*).

Landlords of housing leases:

Interest-free loan to compensate for the monthly rent, due and unpaid, whenever there is a drop of more than 20% in the landlord's household income compared to the previous month or the same period of the previous year, paid by IHRU.

Tenants of commercial lease contracts:

- Outright grants of 30% of the rent, with a limit of EUR 1,200.00 per month, for tenants who in 2020 suffered a decrease in turnover between 25% and 40%;
- Outright grants of 50% of the rent, with a limit of EUR 2,000.00 per month, for tenants who in 2020 suffered a decrease in turnover of more than 40%.

Micro, small and medium-sized enterprises in sectors particularly affected by Covid-19 mitigation measures:

- Cash support through an outright grant to support the immediate payment of rent due during the first half of 2021, to be determined by ministerial order;
- Credit line to allow the payment of 2020 rents deferred to 2021, under conditions to be set by ministerial order.

Tenants of shopping centers lease contracts:

- Proportional reduction of the fixed or minimum monthly remuneration due, up to a limit of 50% of the monthly remuneration, when such establishments have a decrease in their monthly turnover compared to the turnover of the same month of 2019 or, if not possible, the average turnover of the last six months preceding the first declaration of the state of emergency, or for a shorter period, if applicable.

Duration

Variable depending on the financial support.

Where can you read more about these measures?

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

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

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