


**COVID-19
Business
Relief Package**
COVID-19 v.2



18th March 2020

COVID-19:

What are the main Government measures?

A. MAIN EXTRAORDINARY COVID-19 CONTAINMENT AND MITIGATION MEASURES FOR COMPANIES

- Tax extensions: tax filing and payment deadlines extended
- Simplified layoffs
- Training grant from the Institute of Employment and Vocational Training (IEFP)
- Exceptional and temporary exemption from social security contributions
- Extraordinary financial incentive to ensure the normalisation of the activity
- Credit lines to support businesses

B. STATE OF EMERGENCY

C. OTHER ASPECTS TO CONSIDER

D. PAYMENT OF TAXES AND CONTRIBUTIONS MORE FLEXIBLE AND MEASURES TO SUPPORT THE ECONOMY

- Taxes and Social Security
 - VAT and personal and corporate income tax withheld at source
 - Social security contributions
 - Tax enforcement proceedings
- Credit lines

AMENDED 18.03.2020

COVID-19:

Tax Filing and Payment Deadlines Extended

☐ Order No. 104/2020 of 9th March 2020

Extension of the deadline for voluntary compliance with tax obligations with no additions or penalties:

1. The obligation to submit the periodic income tax return (Form 22) and self-assessed corporate income tax payment for the 2019 tax period may be fulfilled by **31st July 2020**;
2. The full amount of the special payment on account for the 2020 tax period or its first instalment may be paid by **30th June 2020**;
3. The first advance payment and the first additional advance payment for the 2020 tax period may be paid by **31st August 2020**.

COVID-19:

Tax Filing and Payment Deadlines Extended (cont.)

❑ Decree-Law No 10-A/2020 of 13th March 2020

❑ Approval of Accounts

General meetings of companies, associations or cooperatives that are required to take place by legal or statutory requirements may be held until **30th June 2020**.

❑ Single Report (RU)

The submission of the SINGLE REPORT (RU) for 2019 will **take place from 16th March 2020**. The **deadline for submission** will be **extended** and the Ministry of Labour, Solidarity and Social Security will set a new date in due course.

COVID-19:

Simplified Layoffs

- ❑ Ordinance No. 71-A/2020 of 15th March 2020
- ❑ Ordinance No. 76-B/2020 of 18th March 2020

Extraordinary support for the maintenance of employment contracts in financially distressed companies, with or without training actions

TARGET

Companies in a business crisis as a result of:

- shutdown of the company or establishment due to intermittent or interrupted global supply chains; or
- the abrupt and sharp drop by at least 40% in turnover in the 60 days preceding the application to social security with reference to that same period last year or, for companies that started operating less than 12 months ago, the average turnover in that period.

REQUIREMENTS

- Obligation to inform the employees affected in writing stating the foreseeable duration of the interruption of the activity;
- Employer's certificate;
- Certificate of the company's chartered accountant attesting to the existence of the crisis; and
- Tax and social security contributions paid.

REQUIREMENTS FOR POSSIBLE TAX INSPECTIONS

- Balance sheets for the month concerned and the same month last year;
- VAT return for the month concerned and the two previous months in the case of the monthly VAT scheme;
- VAT return for the last quarter of 2019 and the first quarter of 2020 for the quarterly VAT scheme; and
- Additional evidence yet to be defined.

COVID-19:

Simplified Layoffs (cont.)

- ❑ **Ordinance No. 71-A/2020 of 15th March 2020**
- ❑ **Ordinance No. 76-B/2020 of 18th March 2020**

WHAT ARE THE PROCEDURES?

- Meeting with union representatives and works councils, if any;
- Indicating the foreseeable duration of the measure – this measure may exceptionally be extended on a monthly basis up to a maximum of 6 months;
- Submitting the application to the Social Security Institute (ISS) including the following documents:
 - Employer's certificate and certificate of the chartered accountant;
 - List of the names of the employees affected, including their social security number (NISS).

WHAT ARE THE CONDITIONS?

- This measure will take the form of a financial support, corresponding to 2/3 of the employee's gross remuneration with a lower limit of the national minimum wage (€ 635) and an upper limit of 3 times the national minimum wage (€ 1,905);
- 70 % of which is covered by social security and 30 % by the employer, with a duration of one month extendable monthly up to a maximum of six months.

COVID-19:

Simplified Layoffs (cont.)

□ Ordinance No. 71-A/2020 of 15th March 2020

CAN I COMBINE THIS WITH A TRAINING PLAN?

- This measure may be complemented by a training plan approved by the IEFP;
- In addition there is a training grant of € 131.64 per employee, 1/2 of which for the employee and 1/2 for the employer (€ 65.82 + € 65.82).

OTHER ISSUES:

May layoff happen without agreement from the employees?

The layoff applies even without agreement, and providing that information to the works council and/or the inter-union commission are mandatory. Additionally, this information must be accompanied by a statement from the employer and a statement from the chartered accountant attesting to the existence of the crisis situation.

Will the employees affected continue to earn their remuneration?

Employees shall earn at least 2/3 of their gross monthly pay up to a maximum of three times the national minimum wages, i.e., no one may earn less than the minimum wage (€ 635) or more than € 1,905 (gross amounts).

Who shall pay the remuneration?

The Social Security ensures the payment corresponding to 70% of the remuneration, and the remaining amount shall be paid by the employer.

COVID-19:

Simplified Layoffs (cont.)

□ Ordinance No. 71-A/2020 of 15th March 2020

OTHER ISSUES:

Who shall pay the remuneration?

The remuneration is always paid by the company; the Social Security does not transfer money to the employee, but to the company. In the exceptional scheme implemented to deal with the covid-19 outbreak, nothing is stated otherwise.

Which body receives the layoff application?

Applications should be sent to the **District Social Security Centres**. These and the delegations of the Authority for Working Conditions (ACT) may provide information to the employees in case of doubt.

Will the company continue to pay social security contributions?

An 'exceptional and temporary scheme' of exemption from the payment of social security contributions by employers and self-employed people who are employers is foreseen.

Example

On 1st May 2020, a company that finds that its turnover of the last 3 months (from 1st February 2020 to 30th April 2020) is 40% below the turnover of the same period last year (from 1st February 2019 to 30th April 2019) shall be eligible to apply for this support since it meets the requirements provided for in Ordinance No. 71-A/2020.

□ Ordinance No. 71-A/2020 of 15th March 2020

Creation of an extraordinary training plan

WHY?

Companies can access extraordinary support for part-time vocational training, in the form of a training plan, with a view to maintaining jobs and enhancing the skills of their employees in order to act preventively against unemployment.

WHAT ARE THE PROCEDURES?

The employer shall inform the employees in writing of the decision to start a training plan and the foreseeable duration of the measure, immediately sending that information to the IEFP, I.P., accompanied by a certificate from the employer and a certificate from the company's chartered accountant attesting to the existence of the crisis situation.

WHAT ARE THE CONDITIONS?

- The extraordinary support to be granted to each employee affected is paid by the IEFP, I.P., and granted according to the hours of training attended, up to a limit of 50 % of the gross remuneration, with the upper limit of the national minimum wage;
- The duration of the training plans shall not exceed 50 % of the normal working hours.

COVID-19:

Exceptional and Temporary Exemption From the Payment of Social Security Contributions

□ Ordinance No. 71-A/2020 of 15th March 2020

Temporary exemption from the payment of Social Security contributions by the employer

WHAT ARE THE CONDITIONS?

- Employers that benefit from the extraordinary support measures for the maintenance of jobs are entitled to total exemption from the payment of social security contributions payable by the employer regarding the employees affected and members of statutory bodies for the duration of these measures;
- The right to this exemption shall also apply to self-employed people who are employers benefiting from these measures and their spouses;
- This exemption refers to contributions related to remuneration for the months in which the company is the beneficiary of these measures.

WHAT ARE THE PROCEDURES?

- The employer shall submit the autonomous remuneration returns for the employees covered by the support;
- And shall pay the contributions (11%).

COVID-19:

Extraordinary Financial Incentive to Ensure the Normalisation of the Company's Activity

□ Ordinance No. 71-A/2020 of 15th March 2020

Extraordinary financial incentive to ensure the normalisation of the company's activity.

WHAT ARE THE CONDITIONS?

Employers in a situation of declared crisis may also be entitled to an extraordinary financial incentive to support the resumption of their business activity, to be granted by the IEFP, I. P., paid in one lump sum and in the the amount of one national minimum wage per worker.

WHAT ARE THE PROCEDURES?

- Submission of an application to the IEFP;
- Statement of the employer and the chartered accountant proving the company's crisis situation.

COVID-19:

Business Support Credit Lines

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

- For micro-enterprises in the tourism industry there is a specific line of € 60 million, but the resolution published in the *Official Gazette*, has not provided any additional information on that subject.
- The government has opened a credit line of € 200 million for companies that have been proven to be affected by Covid-19. This endowment, included in an already existing credit line ('Capitalizar'), has been available since 12th March and is divided into two instalments, according to the published prospectus: € 160 million to strengthen working capital and € 40 million for treasury.

Specific Line		Amount (€ million)
'Covid-19'	Working capital endowment - 'Fundo de Maneio'	160
	Treasury endowment - 'Plafond Tesouraria'	40
Total amount of the credit line		200

COVID-19:

Business Support Credit Lines: Capitalizar – ‘Fundo de Maneio’

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

Objective: To help companies meet their working capital needs.

Beneficiaries: Preferably micro, small and medium-sized enterprises (MSMEs), certified by the Electronic Statement of IAPMEI, I.P.; Large enterprises.

Eligible Operations: Financing of working capital needs.

Non-Eligible Operations:

- Financial restructuring and/or consolidation of existing loans;
- Transactions intended to settle or directly or indirectly replace previous loans with the bank;
- Acquisition of real estate, second hand goods, light duty vehicles that are not ‘means of production’ and road haulage vehicles acquired by road hauliers on behalf of third parties.

However, it is accepted that:

- the beneficiary companies in the primary sector – namely agriculture, livestock, forestry and extractive industries – may acquire furniture, as well as movable property subject to registration as long as they are proven to be used in the company’s productive activity;
- real estate related to the business activity may be acquired, as long as the company does not operate in the economic activity code (CAE) sub-division 68, and the maximum amount of the loan for its acquisition does not exceed 50% of the total investment;
- financial operations may be carried out for activities related to exports to third countries and Member States, including the establishment and operation of distribution networks.

COVID-19:

Business Support Credit Lines: Capitalizar – ‘Fundo de Maneio’ (cont.)

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

Eligibility Conditions of the Beneficiary:

- Location (head office) on national territory;
- Activity within the defined CAE list;
- No debts to FINOVA and no defaulted payments to the bank industry on the date the contract is entered into;
- No overdue payments to the Tax Administration or Social Security on the date the contract is entered into;
- Positive net worth on the last approved balance sheet. Companies with negative net worth on the last approved balance sheet may access the line if they show that this situation has been settled on an interim balance sheet approved up to the date of the operation;
- In the case of large companies, the company must at least be in a situation comparable to B- in terms of credit rating;
- Presentation of a statement proving the negative impacts of the Covid-19 outbreak on the company's activity, namely the drop in sales by at least 20% in the last 60 days in comparison with the same period last year, in accordance with a form made available by the participating banks.

COVID-19:

Business Support Credit Lines: Capitalizar – ‘Fundo de Maneio’ (cont.)

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

Type of operation: Credit/ Mutual Guarantee

Type of banking product: Bank loan

Maximum financing per company: € 1.5 million

Capital reimbursement: Equal monthly, quarterly or half-yearly instalments paid in arrears

Maximum transaction term: Up to 4 years

Maximum grace period: Up to 12 months

Fixed interest rate option: Euribor swap rate for the term of the operation + spread.

Variable interest rate option: 1, 3, 6 or 12 month Euribor + spread

Spread: 1.928% -3.278%.

Interest rate bonus: 0%

Mutual guarantee Up to 80%

Mutual guarantee fee 0.5%

Mutual guarantee fee bonus 100%

Participating banks:

- Abanca Corporacion Bancaria, S.A. - Subsidiary in Portugal
- Banco Bilbao Vizcaya Argentina, S.A. - Subsidiary in Portugal
- Banco BPI, S.A.
- Banco Comercial Português, S.A.
- Banco Português de Gestão, S.A.
- Banco Santander Totta, S.A.
- Caixa Central de Crédito Agrícola Mútuo, CRL
- Caixa de Crédito de Agrícola Mútuo de Leiria, CRL
- Caixa Económica Montepio Geral
- Caixa Geral de Depósitos, S.A.
- Novo Banco, S.A.
- Banco BIC Português, S.A.
- Novo Banco dos Açores, S.A.
- Bankinter, S.A. - Subsidiary in Portugal
- Caixa de Crédito Agrícola Mútuo da Chamusca, CRL
- Caixa de Crédito Agrícola Mútuo de Mafra, CRL

COVID-19:

Business Support Credit Lines: Capitalizar – ‘Plafond Tesouraria’

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

Objective: To encourage the offer in terms of *credit ceiling* in *revolving credit facilities* making treasury management more flexible.

Beneficiaries: Preferably micro, small and medium-sized enterprises (MSMEs), certified by the Electronic Statement of IAPMEI, I.P.; Large enterprises.

Eligible Operations: Operations exclusively to finance treasury requirements.

Non-Eligible Operations:

- Financial restructuring and/or consolidation of existing loans;
- Transactions intended to settle or directly or indirectly replace previous loans with the bank;
- Acquisition of real estate, second hand goods, light duty vehicles that are not ‘means of production’ and road haulage vehicles acquired by road hauliers on behalf of third parties.

However, it is accepted that:

- the beneficiary companies in the primary sector – namely agriculture, livestock, forestry and extractive industries – may acquire furniture, as well as movable property subject to registration as long as they are proven to be used in the company’s productive activity;
- real estate related to the business activity may be acquired, as long as the company does not operate in the economic activity code (CAE) sub-division 68, and the maximum amount of the loan for its acquisition does not exceed 50% of the total investment;
- financial operations may be carried out for activities related to exports to third countries and Member States, including the establishment and operation of distribution networks.

COVID-19:

Business Support Credit Lines: Capitalizar – ‘Plafond Tesouraria’ (cont.)

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

Eligibility Conditions of the Beneficiary:

- Location (head office) on national territory;
- Activity within the defined CAE list;
- No debts to FINOVA and no defaulted payments to the bank industry on the date the contract is entered into;
- No overdue payments to the Tax Administration or Social Security on the date the contract is entered into;
- Positive net worth on the last approved balance sheet. Companies with negative net worth on the last approved balance sheet may access the line if they show that this situation has been settled on an interim balance sheet approved up to the date of the operation;
- In the case of large companies, the company must at least be in a situation comparable to B- in terms of credit rating;
- Presentation of a statement proving the negative impacts of the Covid-19 outbreak on the company's activity, namely the drop in sales by at least 20% in the last 60 days in comparison with the same period last year, in accordance with a form made available by the participating banks.

COVID-19:

Business Support Credit Lines: Capitalizar – ‘Plafond Tesouraria’ (cont.)

□ Resolution of the Council of Ministers No. 10-A/2020 of 12th March 2020

Type of Operation: Credit/ Mutual Guarantee

Type of Banking Product: Credit ceiling in a revolving credit facility

Maximum Financing per Company: € 1.5 million

Maximum Operation Term: Up to 3 years

Fixed Modality Interest Rate: Euribor Swap for the term of the operation + sp

Variable Interest Rate: 1, 3, 6 or 12 month Euribor + spread

Spread: 1.943% -3.278%.

Interest Rate Bonus: 0%

Mutual guarantee Up to 80%

Mutual guarantee fee 0.5%

Mutual guarantee fee bonus 100%

Participating banks:

- Abanca Corporacion Bancaria, S.A. - Subsidiary in Portugal
- Banco Bilbao Vizcaya Argentina, S.A. - Subsidiary in Portugal
- Banco BPI, S.A.
- Banco Comercial Português, S.A.
- Banco Português de Gestão, S.A.
- Banco Santander Totta, S.A.
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- Caixa Geral de Depósitos, S.A.
- Novo Banco, S.A.
- Banco BIC Português, S.A.
- Novo Banco dos Açores, S.A.
- Bankinter, S.A. – Subsidiary in Portugal
- Caixa de Crédito Agrícola Mútuo da Chamusca, CRL
- Caixa de Crédito Agrícola Mútuo de Mafra, CRL

COVID-19:

State of Emergency

What are the implications for businesses?

- If mandatory quarantine and/or isolation measures are implemented, companies will have to resort to teleworking in order to ensure the continuation of their professional activity, since employees will not be able to travel to their workplace;
- When the state of emergency is declared, certain support measures for companies and employees will probably be defined similarly to what happened when the state of alert was declared;
- Companies may also consider the following measures:
 - temporary reduction of the normal working hours; or
 - suspension of employment contracts if this appears to be strictly necessary to ensure the viability of the business and the maintenance of jobs in a situation of business crisis; or
 - the temporary shutdown or reduction of their activity.

What happens to those who do not comply with the measures included in the State of Emergency Declaration?

- Those who fail to comply with the measures established in the **State of Emergency Declaration** incur in a crime of disobedience provided for in Article 348 of the Criminal Code and punishable with imprisonment for up to 1 year or a fine of up to 120 days (Article 7 of the RESEM, the Portuguese code that regulates the state of emergency and the state of siege);
- In the case of a crime of qualified disobedience, the aforementioned sanctions will be doubled, with a prison sentence of up to 2 years and a fine of up to 240 days.

COVID-19:

Other aspects to consider

- Failure of the employer to comply with the obligations that underlie the support provided for shall result in the immediate cessation of the support and the repayment or payment of the amounts already received or exempted, where one of the following conditions is met:
 - Dismissal, except due to a fact attributable to the employee;
 - Failure to timely pay the remunerations owed to employees;
 - Non-compliance with legal, tax or social security obligations;
 - Distribution of profits for the duration of the obligations arising from the incentive granted, in any form, namely as a withdrawal on account;
 - Failure to meet any obligations within the agreed time limits due to the employer's fault;
 - Making false statements.

- When an employee is working from home, the insurance company shall be informed for the purposes of the accident at work insurance.

Disclosing this information is necessary to ensure that any accident that occurs during the teleworking period is covered even though the assumptions of the activity and the workplace have changed.

COVID-19:

VAT and Personal and Corporate Income Tax Withholdings

- On the due date of payment of VAT and Personal and Corporate Income Tax withholdings, you have the following options:
 - Full payment as usual;
 - Fractionated payment in three monthly instalments without any interest;
 - Fractionated payment in six monthly instalments, with late-payment interest charged only on the last three instalments.
- In the case of fractionated payment, no guarantee shall be required.
- This measure applies to VAT taxpayers both under the monthly and quarterly VAT schemes.
- It only covers self-employed people and companies with a turnover of up to 10 million euros in 2018 or that have started their activity as of 1st January 2019.
- The remaining companies or self-employed people may apply for the same flexibility in the payment of these tax obligations in the second quarter when they have a drop in turnover by at least 20% in the average of the three months preceding the obligation in comparison with the same period last year.

These measures shall be published in a legal document by the end of this month. **AMENDED 18.03.2020**

COVID-19:

Social Security Contributions and Tax Enforcement Proceedings

- **Social Security contributions:**
 - Social security contributions due between March and May 2020 shall be reduced to 1/3 in March, April and May.
 - The remaining amounts for April, May and June shall be settled from the third quarter of 2020 onwards similarly to the fractionated payment in instalments adopted for taxes payable in the second quarter, without prejudice to immediate payment.
 - This measure shall apply immediately to companies with up to 50 employees.
 - Companies with up to 250 employees can access this mechanism of reduced and fractionated payment of social contributions in the second quarter of 2020 if they have a drop in turnover by 20% or more.

- **Enforcement proceedings:**
 - Ongoing tax and Social Security enforcement proceedings or those that will be commenced by the competent authorities shall be suspended for 3 months.

These measures shall be published in a legal document by the end of this month. **AMENDED 18.03.2020**

COVID-19:

Credit lines

- Companies affected by the pandemic will have access to a three billion euro **credit line** on special conditions with a **grace period until the end of the year** and the possibility of **repayment in four years**. This credit line will be distributed as follows:
 - **Catering and similar industries** – 600 million euro credit line, of which 270 million euros for micro and small-sized enterprises;
 - **Tourism industry, including travel agencies, entertainment and event organisation and similar activities** – 200 million euro credit line, of which 75 million euros for micro and small-sized enterprises;
 - **Hospitality industry** – 900 million euro credit line, of which 300 million euros for micro and small-sized enterprises ;
 - **Industry sectors, namely textiles, clothing, footwear, extractive and wood** – 1.3 billion credit line, of which 400 million euros for micro and small-sized enterprises.

These measures shall be published in a legal document by the end of this month. **AMENDED 18.03.2020**

Conceito is available to support you and clarify any issues through our team of experts that are monitoring the impacts of COVID-19 on the Portuguese business environment:

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