

MEASURES OF THE PORTUGUESE
GOVERNMENT TO SUPPORT
BUSINESSES AND CITIZENS AFFECTED
BY THE COVID 19 PANDEMIC

COVID 19

Duarte Marques

 **Carvalho | Matias** 
& ASSOCIADOS

**MEASURES APPROVED BY THE PORTUGUESE GOVERNMENT INTENDED TO SUPPORT
BUSINESSES AND CITIZENS AFFECTED BY THE COVID19 PANDEMIC**

Following the outbreak of the SARS-CoV-2 virus throughout the world (commonly known as COVID 19) and the upgrade of this outbreak to a Pandemic status, the Portuguese Government, acting accordingly to WHO/OMS guidelines, introduced a set of exceptional containment measures, after a state of emergency was declared by a presidential decree on 18 March.

The state of emergency was renewed for a second period of 15 days, on 2 April, maintaining the measures issued to prevent the general outbreak of the virus, but trying to sustain the economy to withhold the impact of the confinement imposed, especially during Easter break in Europe.

On 17 April the state of emergency was again renewed for a further two week period, which will end at 11:59 pm on 2 May.

Below is a summary of the most important measures approved by the Portuguese Government, aimed to support businesses and citizens during these troubled times and, most importantly, intended to give confidence to a return of the economy back to normal functioning.

BUSINESSES

Principal Measures Aimed at Businesses:

• **GOVERNMENT SUPPORT TO EMPLOYERS TO ENHANCE SOCIAL PROTECTION**

The Portuguese Government on 26 March, through Decree-Law no. 10-G/2020, adopted a range of measures intended to protect both businesses as well as the working class. The main measures, applicable to private businesses that were forced to close doors or have

experienced either a partial/full stoppage due to shortage of supplies, or a minimal 40% drop on demand, consist of:

- i. A new and simplified set of Layoff rules, applicable during the state of emergency period, as a measure to maintain employment;
- ii. Creation of an extraordinary professional training plan for employees;
- iii. An extraordinary financial incentive to support the normalization of businesses affected, based on the number of their employees;
- iv. Temporary exemption from payment of social security contributions due by the employers;
- v. A 60-day ban on dismissals upon returning to normality, by those businesses that benefited from the measures above.

- **SPECIAL CREDIT LINE - COVID 19**

A credit line worth of a total of 6 thousand million euros, guaranteed by the State, was made available to businesses, through a joint effort of banking institutions in Portugal and a state-owned mutual guarantee company (Lisgarante).

This credit line is intended to have a low interest rate, mutual guarantees and a 4 year reimbursement deadline.

All businesses are eligible to this special credit facility, upon confirmation that they are not in debt both to the Portuguese Tax and Customs Authority and to Social Security.

- **TAX AID MEASURES**

On 9 March, the Portuguese Government decided to extend the various periods for complying with tax obligations (declarative and payment) concerning Corporate Income Tax, namely postponing the payment of the “Special on Account Payment (PEC)” from 31 March to 30 June.

Furthermore, the Portuguese Government issued Decree-Law no. 10-F/2020, of 26 March, intended to adopt a series of additional measures also for the support of citizens and

businesses, in order to protect employment and to create conditions to retain, as far as possible, household income and assure the survival of companies.

To this end, with a view to the essential objective of ensuring financial liquidity for companies and preserving general activities, this Decree-Law increases the flexibility measures for the payment of taxes and social contributions.

The measures approved are intended, primarily, to support small and medium-sized enterprises, but are also available to others, namely those that demonstrate a break in their activity, as well as those sectors that were forced to close, *i.e.* aviation and tourism sectors, which are particularly affected by this exceptional situation.

At the same time, a suspension until 30 June was also imposed on tax enforcement proceedings that may either be pending or under instruction by the Tax and Customs Authority and Social Security.

These main measures are:

- i. A flexible payment scheme for VAT, IRS (personal income tax) and IRC (corporate income tax);
- ii. Postponement of taxes and social security contributions due by companies and self-employed workers;
- iii. Extraordinary extension of unemployment benefits;
- iv. Deferral and flexible payment scheme for the Lawyer's Pension Fund.

CITIZENS

Principal Measures Aimed at Individuals:

The main measures adopted by the Portuguese Government were intended to support the businesses that were forced to close, or have experienced partial/full stoppage due to shortage of supplies, or a drop on demand.

Beyond the measures intended to support businesses and strengthen social protection, other initiatives were specially directed to the common citizen.

These measures are:

- i. Extraordinary extension of unemployment benefits;
- ii. An aid to parents with children aged under 12, who are not eligible for telework;
- iii. A moratorium on the repayment of bank loan's;
- iv. A special housing rent credit line.

THE WAY FORWARD

It is the general belief, consistently endorsed by specialists, that the SARS-CoV-2 pandemic has reached a plateau status that will enable Portugal to start gradually lifting some of the imposed containment restrictions, such as the re-opening of small businesses and other activities with low interpersonal contact, with a focus on the less endangered groups and sectors.

Social distancing should, however, be maintained as a key rule for the economic re-opening of Portugal while continuing to protect the population from the virus.

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Carvalho, Matias & Associados

Duarte Silva Marques

dmarques@cmasa.pt