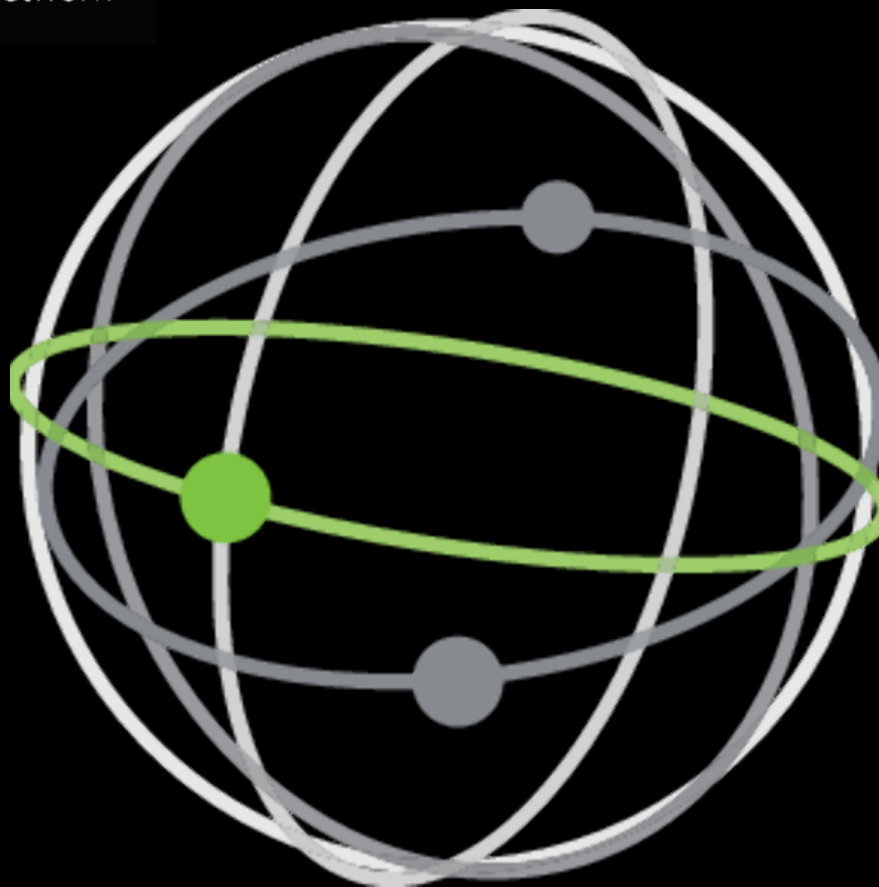


**CTSU**

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## **COVID-19 | Legal Insights 3**

Tax and Financial Measures to Support Companies and Workers

18 March 2020

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# 1# Tax Measures

## 1.1# Extension of Deadline for Tax Obligations Compliance

Recalling also the tax measures previously disclosed, determined by Order of the Secretary of State for Tax Affairs (SEAF), of the 9<sup>th</sup> of March, which established the following extensions to the deadlines of tax compliance obligations, without any additions or penalties:

- The special payment on account to be made in March can be made until June 30, 2020;
- Tax obligations arising from the submission of the periodic income tax return (Model 22 declaration) for the 2019 tax period, can be fulfilled until July 31, 2020;
- The first payment on account and the first additional payment on account to be made in July, can be made until August 31, 2020.

# 1# Tax Measures

## 1.2# Tax Payments Flexibility

At a press conference held on March 18, 2020, the Ministers of Finance and Economy disclosed new measures to support companies cash-flow, which will be published in the coming days.

On the fiscal and taxation side, such measures will essentially implement flexibility measures for taxes that are due on the 2<sup>nd</sup> quarter of 2020, by companies and independent workers, allowing for the payments to be met under one of the following terms:

- **Immediate payment**, in the usual terms;
- Fractional payment, in **3 monthly installments, without interest**;
- Fractional payment, in **6 monthly installments**, with **interest on arrears** only applicable to the **last 3 installments**.

In situations of fractional payment, the presentation of a guarantee is not required, contrary to the usual rules.

# 1# Tax Measures

These measures are applicable to VAT payments, on a monthly and quarterly basis, and to the transfer of withhold income tax (CIT and PIT) to the State.

These measures apply to self-employed workers and companies with a turnover of up to 10 million euros, with reference to the tax period of 2018, or that started to operate from January 1<sup>st</sup>, 2019.

The remaining companies or self-employed workers who do not comply with the requirements above may request the same flexibility in the payment of tax obligations for the 2<sup>nd</sup> quarter of 2020, when they have seen a decrease in turnover of at least 20% to the average of 3 months prior to the month in which this obligation exists, compared to the same period of the previous year.

# 1# Tax Measures

## 1.3.# Social Security Contributions

Regarding Social Security Contributions, the Government decided to reduce them to 1/3 in the months of March, April and May 2020.

The remaining amount is to be settled as of the 3<sup>rd</sup> quarter of 2020, in the same terms described for fractional tax payments. This does not prevent companies that wish to proceed with immediate payment, in the usual terms of doing so.

These measures apply immediately to companies with up to 50 employees. Companies with more than 50 and up to 250 employees can access this mechanism, if they have seen a drop in turnover equal to or greater than 20%.

# 1# Tax Measures

## 1.4.# Suspension of Enforcement Proceedings

The Government also decides to suspend tax enforcement and social security enforcement proceedings for 3 months, either ongoing procedures or procedures that are to be instituted by the authorities.

## 1.5.# Liquidity Outcomes

This set of measures presented in the tax, contribution and guarantee plans, represents an increase in the immediate liquidity of companies and independent workers in Portugal of approximately 9,200 million euros - 5,200 million euros in the tax area, € 3,000 million in guarantees and 1,000 million euros in the contribution area.

Compared to the 2<sup>nd</sup> quarter of 2020, it represents an effort to increase liquidity by 17% of the quarterly GDP.

## 2# Financial Measures

### 2.1.# Financing

- Setting up of a company credit line with State guarantee in the amount of 3,000 million euros. This amount will be divided into:
  - 600 million euros for catering companies;
  - 200 million euros for travel agencies, tourism, entertainment and event organization companies;
  - 900 million euros for hotels and tourism developments; and
  - 1.3 billion euros for the textile, clothing, footwear, mining and wood industries
- Access to the 200 million euro credit line previously made available will be made more accessible. In this sense, the Government is now committed to eliminating the previously defined access criterion of 20% drop in the company's turnover in the previous three months, compared to the same period in the prior year.



## 2# Financial Measures

- The Minister of Finance also announced that, by the end of March, the Government will rule on the possibility of granting a moratorium on capital and interest, in close coordination with the Portuguese Central Bank and the banking sector.
- Although relating to an unregulated subject, the Minister of Finance announced that the maximum limit for payments in terminals using bank cards with contactless technology - defined by the issuer of each card - will be raised to € 30, to the detriment of the current market practice, which sets this limit at € 20.

Please note that the present document is only an overview of some measures that can be taken by companies. If you need additional information or any assistance, do not hesitate to contact the Tax Law and Banking and Financial Law teams of CTSU - Sociedade de Advogados.

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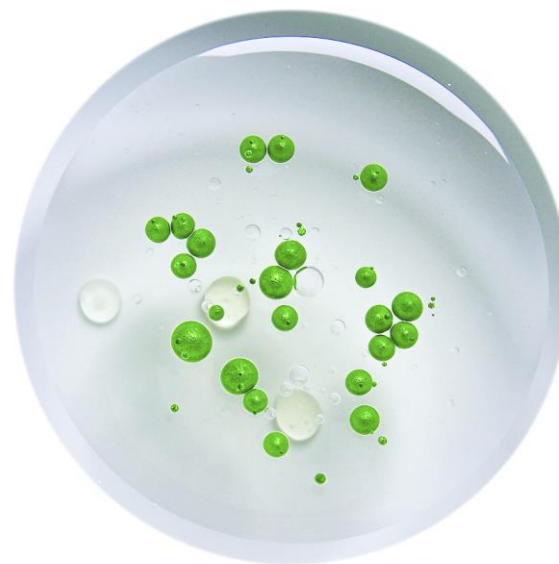
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