

COVID-19 Response: Portugal

GOVERNMENT MEASURES FOR BUSINESSES	ELIGIBILITY	WHEN?
Finance / Loan Schemes		
<p>Credit Line “Capitalizar 2018 – COVID-19” (<i>credit line already cancelled</i>)</p> <ul style="list-style-type: none"> ▶ Up to €400,000,000.00 to be made available preferentially to SMEs (although other companies may also qualify) ▶ Maximum amount per company: €3,000,000.00 ▶ Guarantee – Mutual Guarantee Schemes: up to 80% of principal amount ▶ Term: four years for operating funds and one to three years for treasury ▶ Application with the banks 	<ul style="list-style-type: none"> ▶ Positive equity ▶ Statement describing negative impacts of COVID-19 outbreak that justify the financing needs ▶ Other requirements depending on the type of company, specific credit line and purpose of the facility 	<p>From 12 March 2020 to 31 May 2020</p>
<p>Export Credit - Increase of credit insurance lines guaranteed by the State</p> <ul style="list-style-type: none"> ▶ In €100,000,000.00 for the metallurgy, metalworking and mould sector ▶ In €100,000,000.00 for construction abroad ▶ In €50,000,000.00 for short term export credit 		<p>Resolution of the Council of Ministers no. 10-A/2020, of 13 March</p>
<p>Portugal 2020 / QREN (Quadro de Referência Estratégico Nacional)</p> <ul style="list-style-type: none"> ▶ Extension of the term of certain repayment instalments due in respect of reimbursable subsidies granted under the QREN or Portugal 2020 programs ▶ Eligibility of the expenses with events and activities that have been cancelled or delayed ▶ Negative impact of COVID-19 causing failure to comply with actions/targets under Portugal 2020 may be deemed as force majeure 		<p>Resolution of the Council of Ministers no. 10-A/2020, of 13 March</p>

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Finance / Loan Schemes

Micro-Credit Line - Tourism

- ▶ Up to €90,000,000.00 to be made available to micro enterprises of the touristic sector
- ▶ Maximum amount per company: €750,00 per employee* three months, up to the maximum amount of €20,000,00
- ▶ Term: three years, with a grace period of 1 year
- ▶ Personal guarantee of a shareholder of the company
- ▶ No interest
- ▶ Application with Turismo de Portugal, I.P.

- ▶ Up to 10 employees
- ▶ Annual turnover or total annual balance sheet not exceeding €2,000,000.00
- ▶ Evidence of the negative impact of COVID-19 outbreak
- ▶ Not a company in financial difficulty
- ▶ Other licensing and compliance requirements

25 March

General credit line for the economy

- ▶ Credit line for micro to midcap companies:
 - ▶ Up to €6,200,000,000.00;
- Amounts:
- ▶ in the catering sector - up to €600,000,000.00;
 - ▶ in the sector of travel agencies, tourist entertainment and events organization (or similar) – up to €200,000,000.00; (*credit line already canceled*)
 - ▶ in the sector of tourism companies - up to €900,000,000.00
 - ▶ economic activity – up to €4,500,000,000.00 for treasury needs (*credit line already canceled*)
 - ▶ Maximum amount per company:
 - €50,000.00 (for micro companies);
 - €500,000.00 (for small companies);
 - €1,500,000.00 (for medium companies);
 - €2,000,000.00 (for small mid cap and mid cap companies).
 - ▶ Utilization Term: twelve months

- ▶ Positive equity
- ▶ No debts to Social Security or Tax Authorities
- ▶ Maintenance of employees or lay-off

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Moratorium on credit operations

- ▶ Prohibition of termination (until 30 September 2021), in whole or in part, of the facilities and loans
- ▶ Extension (until 31 March 2021 and, as general rule, in respect of the repayment of principal, until 30 September 2021) of credits with repayment of principal at the end of the contract, together with all ancillary elements
- ▶ Suspension (until 31 March 2021 and, as general rule, in respect of the repayment of principal, until 30 September 2021) of payments of principal, rents and interest, in relation to credits or amounts to be repaid/paid in instalments (being the contractual payment/repayment plan automatically extended)
- ▶ The moratorium measures do not imply the suspension of interest payable during the extension period, which are capitalized
- ▶ Potential application of stamp duty (depending on a case-by-case analysis by the Tax Authorities)
- ▶ The profit distribution, in any form, the repayment of credits to partners and the acquisition of own shares or quotas by the beneficiaries, determines the termination of the effects of the measures

Credit operations (with certain exceptions):

- ▶ granted by credit institutions and financial companies, as well as branches of credit and financial institutions, operating in Portugal
- ▶ granted to micro to SMEs companies, as well as other companies, regardless of their size, excluding those of the financial sector, that: i) are headquartered and carry out their activity in Portugal; ii) are not in payment default for more than 90 days, and are not in a situation of insolvency or suspension or cessation of payments, or already in a scenario of enforcement carried out by the institutions; and iii) have no debts to Social Security or Tax Authorities

Decree-Law no. 10-J/2020, of 26 March

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Tax		
Payment in instalments Authorities are required by their initiative to allow taxpayers to pay tax debts in instalments, regardless if a request was filed and without the need to produce a guarantee.	Personal income tax debts amounting to €5,000 or lower Corporate income tax debts amounting to €10,000 or lower	Live

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Employment

Extraordinary support for a progressive resumption of the activity:

- ▶ The employer can apply for an extraordinary support for a progressive resumption of the activity consisting of reducing normal working times and entitling the employer to a financial support granted by Social Security:
 - Employees are entitled 2/3 of their remuneration and Social Security supports 70% (the employer the remaining 30%)
 - If normal working times are reduced more than 60% (see conditions on the right), Social Security pays 100%
 - If the company's turnover decrease represents more than 75% (see conditions on the right), the employer is entitled to an additional financial support corresponding to 35% of the effective working time of each employee covered with a cap of €1,905,00

All companies exposed to COVID-19 who found themselves in a business crisis due to:

- ▶ The sudden and sharp decrease of at least 25% of the turnover contrasting the previous calendar month prior with the monthly average of the two months prior to that period, or compared to the same period the previous year or, for those companies who started the activity less than 12 months ago, with the average of that period
- ▶ The employer can reduce normal working times as follows:
 - Turnover decrease equal to or greater than 25%, the reduction can go up to the maximum of 33% in the months of October, November and December 2020;
 - Turnover decrease equal to or greater than 40%, can go up to: i) 50%, in the months of August and September 2020; and ii) 40%, in the months of October, November and December 2020;
 - Turnover decrease equal to or greater than 60%, the reduction go up to: i) 70%, in the months of August and September 2020; and ii) 60%, in the months of October, November and December 2020;
 - Turnover decrease equal to or greater than 75%, the reduction can go up to 100% in the months of October, November and December 2020

Decree-Law no. 46-A/2020, 30 July.

(Amended by Decree-La 90/2020, 19 October)

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GOVERNMENT MEASURES FOR BUSINESSES

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Employment

Extraordinary training program:

- ▶ Companies in a business crisis situation can implement an extraordinary training program aimed at maintaining jobs and enhancing employees' skills in order to prevent unemployment.
- ▶ Grant of an extraordinary financial support corresponding to €307.17 per employee covered (€175.52 for the employee and €131.64 for the employer)

The extraordinary training program shall:

- I. Be implemented in association with IEFP, I. P., responsible for its approval, developed remotely, if possible;
- II. Improve employees' professional skills, increasing their qualification level, and increase the company's competitiveness;
- III. Correspond to the training schemes embedded by the National Qualifications System;
- IV. Be implemented outside the hours of effective work, provided that within the normal working times
- V. Ensure the attendance of at least 50 hours of training per month per employee

Decree-Law no. 46-A/2020, July 30th

(Amended by Decree-La 90/2020, October 19th)

Social security contributions:

- ▶ Employers who benefited from an extraordinary support for a progressive resumption of the activity can benefit from an exemption or partial exemption from the payment of contributions:
 - I. For the months of August and September 2020: total exemption in the case of micro, small and medium-sized companies and 50% in the case of large companies;
 - II. For the months of October, November and December 2020, partial exemption of 50% in the case of micro, small and medium-sized enterprises

Reduction of social security contributions:

The total exemption or partial exemption from the payment of contributions is officially recognized

Decree-Law no. 46-A/2020, July 30th

(Amended by Decree-La 90/2020, October 19th)

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| <ul style="list-style-type: none"> ▶ Employees that are under mandatory confinement due to COVID-19 (prophylactic isolation) are granted a financial support paid by Social Security corresponding to 100% of their remuneration ▶ Employees and Independent workers who must remain at home to take care of their children (under 12 years old or, regardless of age, suffering from disability or permanent disease) due to school closure or due to COVID-19 (prophylactic isolation) are granted a financial support paid by the Social Security. This financial support only applies beyond school suspension periods. The financial support corresponds to 2/3 of the remuneration for employees (paid 50% by Social Security and 50% by the employer) and 1/3 of the monthly remuneration reference for independent workers (minimum: €438.81 and maximum: €1,097.02). According to the Resolution of 27 August, the payment will cover 100% of the remuneration in the first 28 days ▶ Independent workers who had to stop or reduce their services due to the COVID-19 outbreak are entitled to an extraordinary financial support paid by the Social Security corresponding to the monthly remuneration reference, up to €438.81, when the monthly remuneration is less than €658.22, and corresponding to 2/3 of the monthly remuneration reference, up to €635.00, when the remuneration is equal or more than €925.50. This financial support lasts for 1 month and can be renewed up to 6 months. According to recent information made public, this financial support is expected to be extended and the independent workers will be entitled to a support corresponding to €438.81 ▶ Independent workers are granted an extraordinary financial support to a fresh start corresponding to, at least, the monthly remuneration reference and up to €219.41. This financial supports lasts for one month ▶ Employers who have benefited from the extraordinary support for the maintenance of an employment contract or the extraordinary training plan are entitled to an exceptional financial assistance for company's activity normalization, corresponding to either one minimum monthly granted remuneration (€635) paid all at once, or two (€1,270) paid over six months. If the employer chooses the second method, he also benefits from the right to partially waive 50% of the employer's social security contributions with reference to the employees covered by the extraordinary training plan or the extraordinary support for maintaining an employment contract ▶ Employees who are not covered by any social security system can apply for a special financial support, corresponding to €438.81 from July to December 2020. It is also available to independent workers who suffered at least 40% decrease in their invoicing | <p>Decree-Law no. 10-A/2020, of 13 March</p> <p>Decree-Law no. 12-A/2020, of 6 April 2020</p> <p>Decree-Law no. 20-C/2020, of 7 May</p> <p>Decree-law no. 27-B/2020, of 19 June</p>
<p>Law no. 27-A/2020, of July 24</p> <p>Ordinance no. 250-B/2020, of October 23</p> |
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COVID-19 Response: Portugal (Continued)

Other Considerations

Financial Sector:

- ▶ Suspension of the enforcement of mortgages over properties that are the personal and permanent residence of the debtor
- ▶ Banco de Portugal (the Portuguese Central Bank) has announced (i) a set of measures applicable to less significant credit institutions relaxing regulatory and supervisory requirements and (ii) the relaxation of certain requirements for new personal credit agreements aiming at minimizing households' lack of liquidity
- ▶ The 30 days' deadline for a debtor to apply for a declaration of insolvency, as well as the acts to be carried out within the scope of enforcement proceedings ("*processo executivo*"), are both suspended. Nonetheless, insolvency proceedings, continue to be processed, without suspension or interruption of deadlines, acts or diligences and creditors may still request the insolvency of debtors and may exercise all actions under applicable insolvency law

Note: The measures described above were in place as of **26 October 2020**. Updates and additional government measures are expected.