

COVID 19 SOCIAL AND ECONOMIC STABILIZATION PROGRAM

On the past 6th of June the Resolution of the Council of Ministers n.º 41/2020 was published, which approved the Social and Economic Stabilization Program (“PEES”), which foresees various relevant measures, of which we highlight the following:

I. EMPLOYMENT

Following the simplified layoff regime, which allowed to face the period of economic paralysis, are now disclosed the **employment supports upon the return**, in order to secure job maintenance.

In first place, it is established:

- The maintenance of the simplified layoff regime, for the companies which remain closed by determination of the Government; and
- The extension of the duration of the simplified layoff, until the end of the month of July.

In second place, are announced two alternative supports of great relevance, namely:

- **Support to progressive return**
 - The recipients of this support are companies which have benefitted from the simplified layoff regime and which still maintain income losses equal to or greater than 40%.
 - It shall last between August and July of 2020.
 - The objective is to allow, on one hand, the convergence of the remuneration of the employee to 100% of his salary and, on the other hand, the progressive reduction of the exemption of contributions to the Social Security, under the terms foreseen in the table below:

	JULHO	AGOSTO/SETEMBRO		OUTUBRO/DEZEMBRO	
ELEGIBILIDADE	Encerradas e > 40% quebra faturação	≥ 40% quebra faturação	≥ 60% quebra faturação	≥ 40% quebra faturação	≥ 60% quebra faturação
MEDIDA	Suspensão ou Redução de PNT	Redução horário de trabalho até 50%	Redução horário de trabalho até 70%	Redução horário de trabalho até 40%	Redução horário de trabalho até 60%
Contribuições para a Segurança Social	Isenção total	Grandes empresas redução 50%		Sem redução	
		Isenção total MPMEs		Redução 50%	
SALÁRIO	Horas trabalhadas ou não trabalhadas pagas a 66%	Horas Trabalhadas pagas a 100%			
		Horas não trabalhadas pagas a 66%		Horas não trabalhadas pagas a 80%	
SEGURANÇA SOCIAL	70% das horas trabalhadas e não trabalhadas	Horas trabalhadas: 0%			
		Horas não trabalhadas: 70%			
RETRIBUIÇÃO TRABALHADOR	66%	Pelo menos 83%	Pelo menos 77%	Pelo menos 92%	Pelo menos 88%

- **Extraordinary incentive for the normalization of commercial activity**

- The recipients are, equally, companies which have benefitted from the simplified layoff regime, of which the measures are:
 - One-off support: payment of a national minimum salary per work position which have been in layoff under the simplified regime;
 - or, in alternative,*
 - Support over the course of six months: payment in two or three installments, of two minimum national salaries per employee, with a reduction of 50% to contributions to the social security for the first 3 months and/or possibility of exemption in the case of liquid creation of employment.

Both measures have, as constraints, the prohibition of collective redundancies, by extinction of work positions and for inadaptation, as well as the duty to maintain the level of employment in the 60 subsequent days.

Besides the abovementioned supports, we also highlight the following measures:

- **ATIVAR.PT – Reinforced Support Program to Employment and Vocational Training**, which has as recipients the people who are unemployed, and which aims to incentivize the employment and creation of internships in conjunction with support programs for specific public sectors, namely through the following supports:
 - **Impulso PME Jovem** – direct support for hiring, paid in phases over the course of 12 months and of a variable amount, through which it is aimed to promote the qualification and renovation of the executives of PME;
 - **Empreende2020** – national contest for projects for the creation of self-employment and business projects for youth and unemployed;
 - **+ CO3SO Emprego** – support (fixed rate of 40 % over the direct costs with the jobs created) for 36 months, for the employment of workers with an open-ended contract;
 - Implementation of a **Social Market Employment Network** which aims to answer to needs and crowds not covered by the market.
- **ATIVAR.PT Formação Profissional**, which aims to ensure a quick and adequate response to the increase in unemployment, based on programs for training and requalification, in conjunction with programs for specific sectors and crowds.

II. PUBLIC PROCUREMENT

Are foreseen, among others, the following measures:

- Alteration of the thresholds for the adoption of the procedure for prior consultation for works contracts or concession of public works and acquisition of services;
- The contracting entity will be able to proceed with an exceptional contracting above the base price, when the tender has stayed deserted;
- The specifications will be able to include only one preliminary program (instead of an execution project) in the case of a conception-construction tender;
- The summons of the entities respondent in pre-action litigation suits will now be dependent on an injunction from the judge;

- The prior approval from the Court of Auditors in proceedings in which the value of the contracts is below € 750,000.00 is dismissed.

III. COMPANIES

i. Lines of Credit

- Reinforcement of the volume of the lines of credit with a guarantee by the Government until the end of the current year in the amount of 6800 M(euro), regarding the maximum value authorized by the European Union, which will allow to double the value which has already been made available.
- Launch of lines of credit with public guarantee with a global endowment of up to 1000M(euro), destined for financing up to 50,000€ of micro and small companies of all sectors of activity;
- Continuation of the availability of lines of credit with public guarantee, in function of the specific needs of the various economic sectors of activity in its whole;
- Support for the financing to international shipping under the scope of the support lines to the economy COVID 19, allowing that the companies may secure conditions of liquidity in order to answer to the demand from foreign customers.

ii. Credit Insurances

Creation of credit insurances in the value of 2000 M(euro) of guarantees for public coverage.

iii. Financing of PME in the Capital Market

Possibility of creation of a special vehicle which has as objective the acquisition of the debt issued by PMEs and the placing of said debt in the capital market, through the issuance of bonds, with the possibility to associate Mutual Guarantee.

iv. Sale and Lease Back

Under the scope of real-estate investment funds under the management of Turismo Fundos-SGOIC S.A., it is foreseen the possibility to perform operations of Sale and Lease Back, with an obligation of investment in modernization and energetic efficiency or circular economy, being 40 M(euro) destined for tourism (50 % allocated to territories of low density) and 20 M(euro) to industry.

v. Fund for the Capitalization of Companies

Creation of a fund of capital and quasi-capital (Fund), to be managed by the Development Bank, with participation in operations of capitalization of viable companies with a high growth potential, in energy sectors and with orientation for external markets, with public intervention of temporary character and preferential mechanisms of co-investment.

vi. Short Distribution Chains

30 M(euro) shall be allocated to the reinforcement of the local production of innovative and strategic equipment, through the support for business projects and networks and technologic, Research and Development (R&D) centers of insertion in the national productive tissue in chains

of value, namely in European networks of goods and services of a greater added value.

vii. Innovation COVID/R&D COVID

220 M(euro) (30 % allocated to Inland territories) shall be allocated to support companies that redirected their production for the current needs (overalls, masks, gel, visors and other types of equipment for individual protection hospital equipment, including ventilators, medication, diagnosis and medical devices), but also for the scientific system and for the support to investigation (treatment, vaccine, tests) in the area of COVID-19.

Financing of the investment projects with reference rates of 80 %, non-refundable, with an increase to the supports for the companies which concretize the project in 2 months, and with retroactive support to those which were already working on these new needs since February.

viii. PME Crescer +

Program centered around mature companies (>5 years) and viable, in energy or systemic sectors, with the duration of 1 year, doting the company with the necessary competences to develop and enhance its brand, to adopt to regulatory demands, direct growth to external markets, leverage its added value, find partners and financing.

ix. «Bolsa de Valor»: Program to facilitate the purchase and sale of companies

The platform Bolsa de Valor shall facilitate the purchase and sale of companies, promoting the meetup of the different parties and ensuring transparent, standardized information and financing solutions.

x. Adaptar 2.0

Launch of the «ADAPTAR 2.0» program, in order to aid and stimulate micro and PME's of the secondary and tertiary sectors and to update and remodel their establishments and production units. Modernizing them and adapting them to the current context.

xi. Development Bank

Creation of the Development Bank, through the integration of the Instituição Financeira de Desenvolvimento, S. A., SPGM – Sociedade de Investimento, S. A., and PME Investimento into one sole institution which affirms itself as a bank promoter of investment and which allows to explore synergies through a greater articulation and integration of the supports to investment, the innovation and the internationalization of the economy.

IV. BANKING MORATORIUMS

The main guiding lines consist on:

- Extension of the duration of the current banking moratorium until the 31st of March of 2021;
- Broadening of the recipients, including emigrants;
- New factors of eligibility related to loss of income which allow to cover a greater number of people with temporary restrictions of liquidity;

- Extension of the moratorium to all the hypothecary credit and the consumer credit for education contracts.

V. HOUSING

Program for the reconversion of local housing to an accessible renting complementary to the mobilization of the public patrimony to concretize through the support to municipal programs for renting and sub-leasing at accessible prices, co-supporting at 50% the difference between the rent paid and the rent received, to which it is added the tax that was not collected due to the exemption of taxation in IRS/IRC granted by the Program for Accessible Renting.

VI. TAX MEASURES

i. Payments on account

Adjustment to the payments in the following manner:

- Loss of income > 20% in the 1.º semester of 2020: limitation of the payment up to 50%;
- Loss of income > 40% in the 1.º semester of 2020 and housing and catering sectors: limitation of the payment up to 100%.

ii. Autonomous taxation

Disregarding the increase of the autonomous taxation for companies with profit in the previous years and tax losses in the year of 2020 (currently, the increase is of 10%).

iii. Deadline and report of the tax losses

Two important measures are foreseen:

- Disregard the years of 2020 and 2021 for the effects of counting the deadline for the use of the tax losses in force on 01.01.2020;
- Change, for the companies which have report deadlines for tax losses, up from 5 to 10 years, as well as broadening to all companies the deduction limit from 70% to 80% when are at stake tax losses from 2020 and 2021.

iv. Small and Medium Companies (PME)

In the concentrations of PME performed in 2020, it is foreseen the disregard of the limit for the use of tax losses by the incorporating company, with the rule of non-distribution of the profits for the period of 3 years, waiving for the same period the application of the state surtax (when applicable).

It is also foreseen the transferability of tax losses in the acquisitions of shares of PME's which in 2020 have been considered as "companies in difficulties", with the rule of non-distribution of profits and the commitment for the maintenance of work positions for 3 years.

v. Additional solidarity contribution for the banking sector (revenue: 33M€)

Create an additional contribution of solidarity for the banking sector in the value of 0,02 pp which revenue is consigned to the Financial Stability Fund of the Social Security. The recipients are credit

institutions with registered office in Portugal, as well as subsidiaries and branches in Portugal of credit institutions with registered office in foreign countries.

vi. Extraordinary investment tax credit

Creation of a tax deduction in IRC of 20% to investment costs incurred in the 2.º semester of 2020 and in the 1.º semester of 2021, up to a limit of 5M€, to be used for a maximum period of 5 exercises, with the obligation to maintain the work positions during the period of utilization of the credit, with a minimum of 3 years.

vii. IVA of the congresses

Return of the amount equivalent to the VAT deducted with the costs incurred by the companies which organize congresses, fairs, expos, seminars, conferences and similar.

VII. JUSTICE

i. Transitory regime for the reduction of court fees

Prevision of an exceptional regime for the reduction of court fees, for the stimulus of the parties to terminate the process through an agreement, settlement or mere withdrawal;

ii. Reinforcement of the Courts of Commerce and Labor

Foreseeing an increase in the demand for the service of Economic and Social Justice, the staff of the court secretariat and judges shall be increased.

iii. Public System of Support to Conciliation on Over-indebtedness (SISPACSE)

Creation of a proceeding for alternative resolution of disputes open to natural persons, which find themselves in serious difficulty for the fulfillment of their assumed monetary obligations. Through a conciliator, it is fostered the creation of a pre-litigation negotiation space between the debtor and the adhering creditors, therefore avoiding the use of legal measures for the recovery of credit.

The system is of voluntary adhesion and with low costs for the debtor, assuming as a capital gain the obtention of the creditor of an enforceable title.

iv. Administrative Procedure

- Approval of a “law for the simplification of the procedures of the Public Administration”, which turns the administrative activity more agile and quick, namely through:
 - Simplification of aspects in the Administrative Procedure Code, regarding notices, deadline counting, obtainment of opinions, facilitation of recourse to digital means of notification and contacts;
 - Substitution of opinions for service conferences;
 - Substitution of the licensing regimes for prior communications;
 - Electronic conduct of procedures, using platforms and shared services.

v. Administrative Proceeding

- Concretization of the specialization of the administrative and tax courts;
- Enhancement of the electronic conduct of the administrative and tax proceedings.

vi. Insolvency Proceeding and Recovery of Companies

• Extraordinary process for the viability of companies

Creation of a new extraordinary process of viability of company (PEVE), of an exceptional nature and temporary, which may be used for any company that, not having any special process of revitalization, finds itself in a situation of imminent or actual insolvency resulting from the economic crisis caused by the pandemic of the disease COVID-19, as long as the company shows that it is still susceptible of viability.

This proceeding, which aims for the judicial approval of an agreement reached out of court between the company and its creditors, has character of urgency, having priority over the conduct and judgement of proceedings of an equal nature.

• Obligation of partial assessments in insolvency proceedings

It is foreseen the obligation of realization of partial assessments in all pending insolvency proceedings in which there is product from liquidation equal to or above 10,000.00 (euro), which the titularity is not controverted.

• Instalment plans

For the companies in insolvency/Special Proceeding of Revitalization (PER)/ Regime for Extrajudicial Recovery of Companies (RERE) with a plan approved and to be fulfilling said plan, it is foreseen the possibility of:

- Include in the plans for recovery of companies which are in course, subjects to the same conditions (without demand of additional guarantees and with possibility of payment until the maximum limit of missing instalments of the approved plan), the debts to the tax authority and to the social security of which the taxable event has occurred or will occur between the 9th of march and the 30th of March of 2020;
- Allow that, in the same situations, the instalment plans currently in course, finish before the 30th of December, the number of instalments applicable to the new debts may be extended until that date.

All these supports and measures still need specific regulation and as such, once new legal documents of regulation and concretization are published, we shall update this Newsletter.

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