



Portuguese update – 18th March 2020

In light of the COVID-19 crisis, the Portuguese Ministry of Finance has announced additional measures covering tax and other areas. We provide below an outline of the tax measures applicable to the second trimester. The outline is based on the press conference and will likely be supplemented very soon with actual draft legislation.

1. **Installment payments applicable for VAT and CIT/PIT withholding taxes**

The payment of VAT and CIT/PIT withholding taxes may be deferred and paid in instalments without the need of providing guarantees in the following terms:

- a. payment in three monthly installments and no interest will be due; or
- b. payment in six monthly installments (interest will accrue on the last three installments).

This measure is directed to companies and self-employed with a turnover lower than €10m in 2018 or those whose activity was opened in 01.01.2019. Companies not fulfilling the said requirements may request the deferral rule in cases where there is at least a 20% turnover decrease on the average of the preceding three months of the tax obligation as compared to the same period of 2019.

2. **Social Security contributions**

Reduction to one third (1/3) of any Social Security contributions due between March and June 2020. The remaining amount (2/3) should be payable as from the third trimester of 2020 under the same instalment deferral rules set out above.

Those measures apply automatically to companies with less than 50 employees. Companies not fulfilling the requirements may request the deferral rule in cases where there is at least a 20% turnover decrease on the average of the preceding three months of the social security obligation as compared to the same period of 2019.

3. **Tax enforcement procedures**

It was also announced the suspension for three months of any ongoing tax and social security enforcement procedures currently in progress or expected to be initiated by the respective authorities.

4. **Previous tax measures adopted**

These additional measures reinforce earlier tax measures, which included:

- Postponement of the payment of the first CIT “special payment on account” (“*pagamento especial por conta*”) of from March 31 to June 20;
- Extension of the deadline to submit the Corporate Income Tax return (*Modelo 22*) from May 31 to July 31; and
- Extension of the payment of the first CIT “payment on account” (“*pagamento por conta*”) from July 31 to August 31.

In addition, the Portuguese government announced it will open lines of credit to highly affected economic sectors, which include: (i) food and beverage services; (ii) tourism industry, such as hotels and lodging, travel agencies and event organization; and (iii) industrial sector, such as textiles, footwear and extractive industry.

Further measures may be announced over the coming days, including measures addressing the banking industry and loan and mortgage payments. We will continue to monitor the situation.

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