

MAY 13th, 2020

COVID-19

EXCEPTIONAL AND TEMPORARY FISCAL MEASURES AND EXTENSION OF THE LIMIT FOR THE GRANTING OF GUARANTEES

Last 7th May, the Portuguese Government published Law no. 13/2020, which establishes fiscal measures relating to VAT, as well as extends the limit for the granting of guarantees, in the context of COVID-19 pandemic, thus making the first amendment to Law no. 2/2020, of 31st March (State Budget for 2020). This Law came into force on the 8th of May and will apply until the 31st December 2020.

The approved VAT exemptions shall produce effect in respect of intra-community transfers and acquisitions of goods within the national territory between 30 January 2020 and 31 July 2020. The other planned measures shall procure effects until 31 December 2020.

The following measures were therefore approved:

I - Temporary VAT tax measures

(1) VAT exemption

Intra-community transmission and acquisition of necessary goods to combat Covid-19 shall be exempt from VAT whenever the following conditions are verified:

- **The goods are listed in the annex to this law;**
- **The goods are acquired by (i) the State, the Autonomous Regions or the Local Authorities, as well as any of their services, establishments and bodies, even if personalised, including public institutes; (ii) health establishments and units that integrate the National Health Service (SNS), including those that assume the legal form of corporate public entities; (iii) other establishments and health units in the private or social sector, provided they are included in the national plan of the SNS to combat COVID-19, as defined by the Ministry of Health for this purpose, and identified on a list**

to be approved by order; (iv) charitable or philanthropic entities, previously approved for this purpose and identified on a list to be approved by order;

- **The goods are intended for** (i) free distribution by the entities mentioned above to persons affected by or exposed to the COVID-19 outbreak, as well as to persons participating in the fight against COVID-19; (ii) treatment of persons affected by the COVID-19 outbreak, as well as for its prevention, remaining in the ownership of those entities.

Invoices holding these operations must mention this law as a reason for not paying the tax. In addition, **tax deduction is also possible** when goods or services are acquired, imported or used by the taxable person, for the sole purpose of the transfer of exempt goods.

(2) Reduced VAT rate

Imports, transmissions and intra-community acquisitions of (i) breathing protection masks and (ii) skin disinfectant gel with the features set out in the order of the members of the Government responsible for the economy, finance and health¹, benefit from the **reduced VAT rate**.

II – Extension of the limit for the granting of guarantees – 1st amendment to the State Budget for 2020

This law amends article 161 of Law no. 2/2020, of 31 March (State Budget for 2020), regarding the maximum limits for the granting of guarantees by the Government:

a. By the State:

- **Up to €3.000.000.000,00**, credit insurance, financial credits, surety insurance and investment insurance; and
- **Up to €1.300.000.000,00**, in favour of the Mutual Counter-Guarantee Fund, to cover liabilities assumed in favour of companies, in the context of the situation

¹ Cf. Order no. 5335-A/2020, of 7th May.

caused by the COVID-19 pandemic, as well as whenever it contributes to strengthening its competitiveness and capitalisation.

b. By other legal persons governed by public law:

- **Up to €7.000.000.000,00.**

This information will be updated whenever new legislation on the matter is published.

PARES | Advogados is available to provide more detailed information on fiscal measures and granting of guarantees in the context of COVID-19 pandemic that will suit the specific needs of each client, being able to offer all necessary support in this matter

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