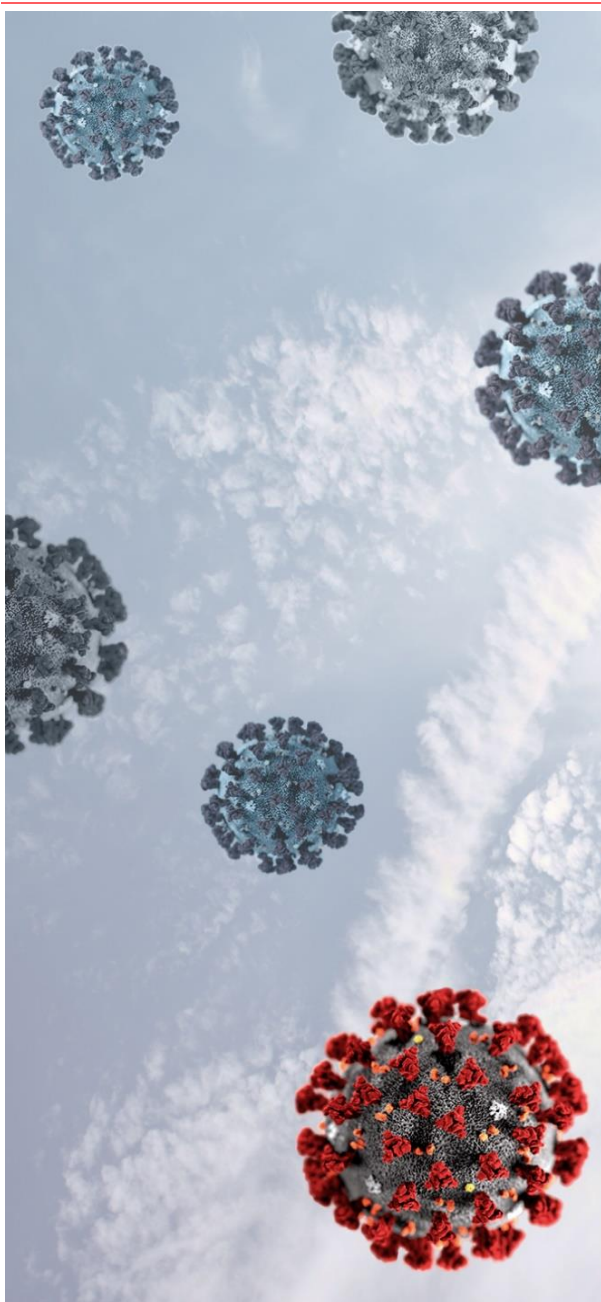

COVID-19: Initial tax measures

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Initial tax measures in response to COVID-19:

- I. Corporate income tax annual return (*Declaração Modelo 22*) and payments
- II. Payment of value-added tax, personal income tax and corporate income tax withholdings
- III. Payment of stamp duty for the first quarter of 2020
- IV. Tax procedures



Tax measures in response to COVID-19

The Portuguese government has adopted tax measures to mitigate the economic consequences of COVID-19.

These are mainly focused on extending deadlines for payment of taxes to reduce pressure on the cashflow of businesses but considering how COVID-19 is spreading and impacting the economy, additional tax measures will probably be announced soon.

I. Corporate income tax (“CIT”) annual return (Declaração “Modelo 22”) and payments

The Secretary of State for Tax Affairs, through Order 104/2020, of March 9, extended the deadlines to comply with the following tax obligations:

- ❖ The 2019 CIT return and the CIT due must be filed and paid by July 31.
- ❖ The first special payment on account of the 2020 CIT, due March 31, must be made by June 30.
- ❖ The first advance and additional advance payment of the 2020 CIT and state surtax, due July 31, must be made by August 31.

II. Payment of value-added tax (“VAT”), personal income tax (“PIT”) and corporate income tax (“CIT”) withholdings

In a conference on March 18, the Ministers of Economy and Finance announced measures to extend the deadlines for VAT, PIT and CIT withholding payments due in the second quarter of 2020.

These have been enacted through Decree-Law 10-F/2020, of March 26, which establishes that payments of VAT, PIT and CIT withholdings due in April, May and June can be made in three or six installments, and without interest and guarantees.

These measures apply to businesses and self-employed individuals in any of the following situations:

- ❖ Had a turnover of up to €10,000,000 in 2018.
- ❖ Carries out an activity that falls within one of the business sectors closed under article 7 of Decree-Law 2-A/2020, of March 20.
- ❖ Started operating after January 1, 2019.
- ❖ Restarted operating on or after January 1, 2019, if it did not have a turnover in 2018.

Taxpayers wanting to benefit from these measures should apply electronically to the tax authorities before the deadline for voluntary payment. Their requests will be automatically validated.



The first monthly installment is due on the deadline for voluntary payment, and the others on the same date in subsequent months.

Other companies and self-employed individuals may benefit from the same fractioning payments if their average invoicing for the three months before the month in which the tax is due is at least 20% less than that of the same period in the previous year. In this case, the requests are not validated automatically, and a statutory auditor or certified tax accountant will have to certify the reduction.

III. Payment of stamp duty for the first quarter of 2020

Order 121/2020-XXII, of March 24, issued by the State Secretary for Tax Affairs, establishes that stamp duty for January, February and March 2020 must be paid, without penalties, by April 20, 2020.

Taxpayers are also allowed to offset excess stamp duty, in case of errors or nullity, until January 20, 2021.

The monthly stamp duty statement will only apply to transactions carried out from January 1, 2021, and the settlement and payment obligations for the months of 2020 can be met through the procedure that was in force until December 31, 2019.

IV. Tax procedures

Law 1-A/2020, of March 19, establishes an overall stay of statute of limitation deadlines, as well as a stay of the deadlines to submit administrative claims, judicial claims, and appeals against tax assessments. Deadlines are stayed in tax misdemeanor procedures, as well as starting or pursuing tax foreclosure procedures.

The above stay of deadlines does not apply to tax audit procedures or the deadlines for taxpayers to comply with the tax authorities' information or clarification requests.



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