

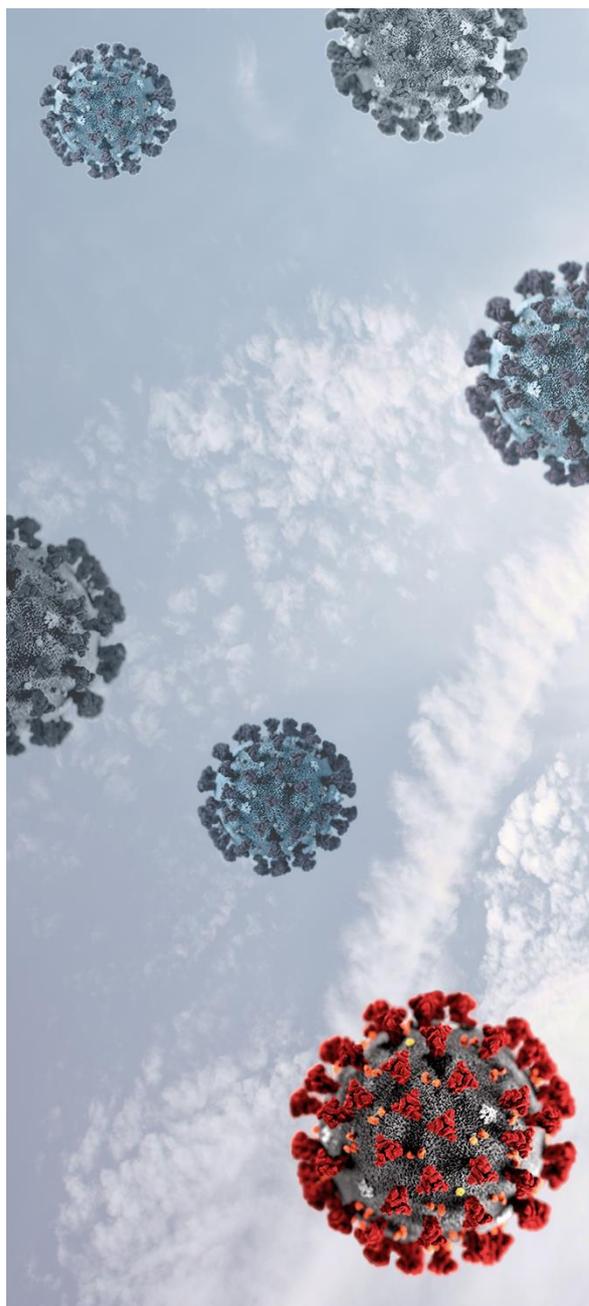
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# COVID-19: Support measures for startups

Newsletter | Portugal

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- > **New and exclusive measures for startups**
- > **Existing measures adapted for startups**
- > **Technological Free Zones (*Zonas Livres Tecnológicas*)**



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## I. Measures to support startups in the context of COVID-19

On April 21, the Ministry of Economy and Digital Transformation announced five new support measures in addition to the two already existing that specifically target Portuguese startups and are designed to mitigate the impacts of COVID-19 on the entrepreneurial ecosystem in Portugal.

These measures have a total cost of €267.3 million, of which €25.3 million will be spent on the new measures, reaffirming the importance that the Portuguese government assigns to the entrepreneurial ecosystem.

That same date saw the publication of Council of Ministers Resolution No. 29/2020 establishing the general principles for creating and regulating Technological Free Zones.

Just like all companies, provided they meet the eligibility criteria, startups can benefit from the measures already approved by the Portuguese government (such as the simplified lay-off procedure and company credit lines).

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## II. New measures exclusive to startups

The five new initiatives providing relief exclusively aimed at startups that have recently been approved are the following:

➤ COVID-19 HR Startup (incentive)

This measure is designed to support early stage startups with liquidity to help them survive in the short term and maintain jobs, and it consists of a once-only incentive of a minimum wage (€635) per employee (up to a maximum of 10 employees).

Startups that meet the criteria listed below will be considered eligible for this benefit:

- (i) They must have been set up within the last five years.
- (ii) They should not record any tax or social security debt.
- (iii) (a) They must be registered on the *Startup Hub* portal, or (b) be incubated in one of the incubators belonging to the National Incubator Network, or (c) be or have been the object of investment by at least one business angel or venture capital investor registered with the IAPMEI or the Financial Investment Institution (*Instituição Financeira de Desenvolvimento - IFD*), or (d) they must be recognized by the National Innovation Agency (*Agência Nacional de Inovação*).



Startups requesting this incentive must not have resorted to the lay-off regime and will not be able to do so in future, nor will they be allowed to dismiss employees during 2020, otherwise they will have to repay the incentive received.

> Extension of the Startup Voucher (incentive)

Under this measure, the validity of the Startup Vouchers (€2,075 per entrepreneur) already allocated to startups as a way of making up for the lack of available liquidity in the sector has been extended for a further three months.

> COVID-19 Incubation Voucher (incentive)

Allocation of a (non-reimbursable) incentive of €1,500 for incubation services (e.g., rent and telecommunications) for startups set up within the last five years and incubated within an incubator registered with the National Incubator Network and at the Startup Hub portal.

Startups requesting this incentive will not be able to dismiss employees during 2020, otherwise they will have to repay the incentive received.

Startups that have already benefited from this voucher under the previous system will still qualify for this measure.

> Mezzanine funding for startups (venture capital)

This measure will be implemented through Portugal Ventures and targets startups with high potential that have benefitted from investment by business angels, risk capital investors or other industry partners, or that have benefitted from incentive systems and have been involved in the transfer of technology. The measure is aimed at reinforcing startup capital for high potential startups at the same time as protecting capital invested previously.

Support will be in the form of the granting of a loan (with an average loan ticket of between €50,000 and €100,000) from a risk capital fund managed by Portugal Ventures, in partnership with the ANI – the National Innovation Agency (through the FITEC fund), together with PME Investimentos and StartUp Portugal, via support convertible into share capital after a 12-month period, with the application of a discount rate to avoid the dilution of promoters.

Startups that meet the following criteria will be eligible for the benefit:

- (i) They should have been set up more than one year ago and within the last eight years.
- (ii) They should not record any tax or social security debt.
- (iii) They must (a) be registered on the *Startup Hub* portal, or (b) be incubated in one of the incubators belonging to the National Incubator Network, or (c) be or have been the object of investment by at least one business angel or venture capital investor registered with the IAPMEI or the IFD, or (d) they must be recognized by the National Innovation Agency.



Startups requesting this incentive will not be able to dismiss employees during 2020 and must submit a statement detailing the negative impact that COVID-19 has had on their economic activity.

More information can be found at <https://www.portugalventures.pt/calls/call-innov-id/>.

### > COVID-19 - Portugal Ventures Instrument (venture capital)

This measure is in the form of a call for investment in startups in all sectors and technologies, with tickets as from €50,000.

The initiative is funded by the Instituição Financeira de Desenvolvimento (IFD), Portugal Ventures and the National Mint (Imprensa Nacional-Casa da Moeda), and eligibility criteria are those defined for the Venture Capital Fund Financing Line managed by the IFD.

This measure is intended to strengthen startup liquidity with bridge financing or a short-term loan until the next investment round, together with existing shareholders (at least 30%) on the date of application, and it is compatible with other financing instruments (including the *Fundo 200M*).

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## III. Current measures adapted for startups

In addition to the five new initiatives, two existing measures in support of startups have been relaunched and adapted to the current situation. The first come, first served rule is applied to the investment until the amount available for each of the measures has been exhausted.

### > Fundo 200M (venture capital)

This fund is for co-investment (matching funds) by the Fundo 200M (managed by PME Investimentos) and private investors, whether local or foreign, in startups and scaleups in digital, life sciences and biotech, in the late seed and series A and B stages.

The investment ticket provided by the Fundo 200M ranges from €500,000 to €5 million per transaction, matching up to 100% of the financial commitment by the private investors participating in the investment round.

Private investors will have the right to a call option during the first years after the investment at an internal rate of return of between 4 and 6%.

More information can be found at <https://www.200m.pt/>.



> Fund for co-investment in social innovation (venture capital)

This fund is for co-investment (matching funds) by the *Fundo para a Inovação Social* (“Social Innovation Fund,” managed by PME Investimentos) and private local and foreign investors in startups with a social impact in the seed and series A stages.

The investment ticket from the Fundo para a Inovação Social ranges from €25,000 to €2.5 million per transaction.

Private investors will have the right to a call option during the first years after the investment at an internal rate of return of between 3 and 5%.

More information can be found at <https://www.fis.gov.pt/>.

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## IV. Technological Free Zones

Council of Ministers Resolution No. 29/2020 of April 21 establishes the general principles for creating and regulating Technological Free Zones (“ZLTs”), one of the 15 measures announced in 2016 under the government’s “Startup Portugal – National Strategy for Entrepreneurship.”

ZLTs are physically delimited spaces providing all necessary security, privacy and respect for citizens’ rights for the promotion and facilitation of research and testing in a real-life environment of innovative technologies, products, services and processes in Portugal (from artificial intelligence to blockchain, bio and nanotechnology, 3D printing, virtual reality, robotics and the Internet of Things, and including Big Data and 5G networks).

Through these ZLTs, the Portuguese government aims to position Portugal as a country open to innovation and experimentation, promoting Portugal as a hub for the testing of new technologies, products, services, processes and models.

To date, there is only one ZLT in operation: the ZLT in the district of Matosinhos, inaugurated in April 2019.



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Cuatrecasas has set up a Coronavirus Task Force, a multidisciplinary team that constantly analyzes the situation emerging from the COVID-19 pandemic. For further information on the contents of this document, please contact our Task Force by email at [TFcoronavirusPT@cuatrecasas.com](mailto:TFcoronavirusPT@cuatrecasas.com) or through your usual contact at Cuatrecasas. You can read our publications or attend our webinars on our [website](#).

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