



Portugal – COVID-19: Deferral of Social Contribution Payments

A new law in Portugal offers hard-pressed employers and self-employed individuals some social security relief.

On 26 March 2020, Portugal's Decree-Law No. 10-F/2020 of 26 March ("the Law") was published in the country's official gazette (*Diário da República*).¹ The Law contains a provision that permits employer entities and self-employed individuals to pay 1/3rd of their social contributions due in March, April, and May 2020, on the regular due date of the contributions, with the remaining amounts being paid either in:

- 1) 3 equal installments due on July, August, and September 2020; or
- 2) 6 equal installments due between July and December 2020.

While employer entities and self-employed individuals may opt out of the relief provided above and pay their share of social contributions by the regular due date, no interest will be assessed if either of the deferment options are selected. Additionally, if an employer entity or self-employed individual has already paid the contributions due in March 2020, the deferral shall cover the contributions due in April, May, and June 2020.

Please note that the relief provided above does not apply to the employee share of the social contribution, as social contributions due by employees shall continue to be paid by the usual deadline.

WHY THIS MATTERS

The measure ushered in by the Portuguese government is intended to help mitigate the economic and financial effects of the spread of the coronavirus and COVID-19 in the country and to bring relief to self-employed individuals and employers as they come to grips with the changed situation in their daily lives, financial security, and business operations arising from the restrictions implemented to address the pandemic.

The optional deferral of social contributions may be welcome relief to some employers and self-employed individuals, as it offers them an opportunity to preserve their cash-flow and provides additional time to organise their tax affairs and meet their compliance obligations in this difficult period.

Eligibility Requirements

The deferral measures apply to:

- self-employed individuals;
- employer entities with less than 50 employees;
- employer entities with between 50 and 249 employees, provided that such entity has a decrease of, at least, 20 percent of its invoicing volume (reported through the electronic invoicing system (*e-fatura*)) for the period of March, April and May 2020, when compared to the same period in the previous year or, if the entity started its activity in 2019, when compared to the average of the entity's invoicing volume during the period in which the activity was being exercised.
- employer entities with 250 or more employees, provided that:
 - 1) such entity has a decrease of, at least, 20 percent of its invoicing volume (reported through the electronic invoicing system (*e-fatura*)) for the period of March, April and May 2020, when compared to the same period in the previous year or, if the entity started its activity in 2019, when compared to the average of the entity's invoicing volume during the period in which the activity was being exercised; and
 - 2) it meets one of the following requirements:
 - (i) such entity is a private institution of social solidarity (IPSS) or similar;
 - (ii) the activity of the company is suspended under the article 7 of Decree-Law no. 2-A/2020 of 20 March, in its current version, or is included in the aviation sector or the tourism sector; or
 - (iii) the activity of the company is suspended following a legislative or administrative order, under the terms of the Decree-Law no. 10-A/2020, of 13 March, in its current version, the terms of the Civil Protection Law approved by the Law no. 27/2006, of 3 July, in its current version, or the terms of the Health Law, approved by the Law no. 95/2019, of 4 September, in regards to any business or company effectively closed.

Please be advised that the number of employees is based on the monthly remuneration form submitted with reference to February 2020.

FOOTNOTE:

1 See (in Portuguese) *Decreto-Lei n.º 10-F/2020 de 26 de março* published in *Diário da República*, 1.^a série N.º 61 26 de março de 2020 at: <https://dre.pt/application/conteudo/130779505> .

RELATED RESOURCE:

Adapted, with permission, from *Flash Alert*, "Portugal – 2020 Annual State Budget – Taxation of pension income under the non-habitual tax regime" (April 2020), a Publication for Global Mobility and Tax Professionals by KPMG's Global Mobility Services Practice, published by the KPMG International member firm in Portugal.

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