

Brazilian Federal Government Economic Measures – March 16 – April 6

Coronavirus Crisis

Source: <http://www.economia.gov.br/noticias/2020/marco/confira-as-medidas-tomadas-pelo-ministerio-da-economia-em-funcao-do-covid-19-coronavirus>

April 1st

>> On Wednesday (1/4), the President of the Republic, Jair Bolsonaro, sanctioned the bill that institutes the emergency aid of R\$600 for informal workers, the unemployed, individual micro-entrepreneurs (MEIs) from low-income families and intermittent workers who are inactive at the moment and, therefore, without receiving it. Mothers who are solely responsible for supporting their families may receive up to R\$1200;

>> Provisional Measures Nos. 935 and 936 were published, which guarantee complementary salaries for workers who will have their workloads and salaries reduced for up to three months. Thus, the MPs institute the emergency benefit for the preservation of employment and income that will be based on the monthly amount of unemployment insurance that workers would be entitled to if they were fired. The measure costs more than R\$ 51 billion. The reductions established are 25%, 50% and 70% that will be negotiated based on individual and collective agreements, according to the workers' salary ranges. The value of the working hour will be preserved. The initiative reaches 24.5 million workers and even domestic workers. MP 936 also allows for the suspension of the employment contract, for a maximum of two months, with the payment of 100% of the respective unemployment insurance. However, the value of the unemployment insurance for workers will not be impacted. The resources used by the program will be funded by the National Treasury. Legal instrument: Provisional Measures 935 and 936 (in force);

>> The government also announced the exemption from the Tax for Financial Operations (IOF) for credit operations for 90 days. The tax is paid when a citizen makes a loan, buys foreign currency or hires insurance, for example. The measure is in line with the broad program of special credit lines that the government will offer the productive sector, with reduced interest. In practice, the measure will further reduce the cost of credit operations. The total impact of the exemption is R\$ 7 billion. Normative Instrument: Decree 10,305 (in force);

>> The government also announced the change in the form of contribution to PIS/Pasep, for the Contribution for the Financing of Social Security (Confins) which is levied on the revenue of the companies and the employer's social security contribution which must be paid by the companies and public entities for two months. The contributions that should be paid in April and May should be paid in August and October. The estimated impact of the measure is R\$ 80 billion that will be injected into the cash flow of companies;

>> In addition, we announced a two-month extension of the deadline for individuals to file their income tax returns from April 30 to June 30. Federal Revenue Normative Instruction 1930 (in force);

>> The IRS has also extended the list of products that will have the Tax on Manufactured Products (IPI) rates zeroed. These are materials such as laboratory or pharmacy articles, gloves and clinical thermometers. The initiative aims to reduce the tax cost of products used in the prevention and treatment of coronavirus. The measure is valid until September 30 and has a tax impact of R\$ 26.6 million. The objective is to reduce the tax cost of products used in the prevention and treatment of coronavirus (Covid-19). The measure had been announced on March 16 and was already in effect by Decree 10,285 (in effect) now expanded by Decree 10,302/2020 (in effect).

March 31st

>> The Minister of Economy, Paulo Guedes, said on Tuesday (31/3) that it would be R\$ 750 billion already destined to the health of Brazilians and the maintenance of jobs. He emphasized that these resources will continue to rise in the coming days in order to guarantee the health of Brazilians and the maintenance of jobs;

>> This Tuesday (31/3), the Provisional Measure 932 (in force) was published in the Official Gazette, making official, for three months, the 50% reduction in contributions by companies to the S System, announced on March 16;

>> The government announced that it has entered into an agreement with the pharmaceutical industry to allow the increase in medicines to be postponed for two months. Legal Instrument: Provisional Measure No. 933 (in force);

>> In addition, the Ministry of Economy and the Comptroller General's Office (CGU) have relaxed the terms of contracts that are signed with funds from transfers from the Union to states, municipalities and private non-profit entities. Normative instrument: Interministerial Ordinance No. 134/20 (in force);

March 30th

>> On Monday (3/30), the Federal Senate approved an emergency aid of R\$ 600, for three months, aimed at informal workers, the unemployed and individual micro-entrepreneurs (MEIs) that integrate low-income families. In the text, the Senate included intermittent workers who are currently inactive as beneficiaries

of the initiative. The category is made up of professionals who have employment ties, but who only receive them when they are working with companies. Normative instruments: Bill to be sanctioned by the President of the Republic, Presidential Decree and Provisional Measure of Extraordinary Credit;

>> A public notice has been opened for the donation of new and used computers and tables. The equipment will be used for servers that are performing remote activities, due to the Covid-19 pandemic. Donations may be made by both individuals and corporations;

>> Registrations for donations can be made until April 8 by e-mail seg.es.central.doacao@planejamento.gov.br, via electronic protocol or electronic petition. Donations can be made anywhere in the country. Normative instrument: Public Call nº2/2020 (in force);

>> On this Monday, the government also allowed, on an exceptional basis, that companies - corporations (S.A.) and limited liability companies (Ltda) - and cooperatives may hold their ordinary general meetings or shareholders' meetings up to seven months after the end of their fiscal year. The purpose of the measure is to reduce the concentration of people in these events and contribute to the efforts to combat the new coronavirus. Normative instrument: Provisional Measure 931 (in force).

March 29th

>> The National Economic and Social Development Bank (BNDES) detailed the new initiatives that were announced on March 27 to strengthen the health system and preserve jobs. With R\$2 billion, the "BNDES Emergency Support to Fight the Coronavirus Pandemic" program will lead to the delivery of 3,000 new ICU emergency beds, 15,000 respirators, 5,000 monitors and 80 million surgical masks by offering credits to health companies;

>> The National Bank for Economic and Social Development (BNDES) has included fintechs - companies (startups) that use technology to facilitate and innovate financial services - in companies eligible for the R\$ 5 billion credit line aimed at expanding working capital for micro, small and medium-sized enterprises (MSMEs).

March 27th

>> A reduced-interest financing line was announced for micro and small companies in the amount of R\$ 40 billion. The objective is to fund the payroll of these companies and guarantee jobs. Through this initiative, the government will pay up to two minimum wages (R\$ 2,090) for two months. Legal instrument: Provisory Measure and CMN Resolution.

>> During this period, the company that accepts the financing will not be able to fire its workers. The credit line foresees interest of 3.75% per year, with zero bank spread, that is, there will be no profit for the banks in this operation;

>> There will also be a six-month grace period for companies to start paying the loan, which can be paid back in up to 36 months;

>> The measure will benefit more than 12 million workers and 1.4 million small and medium-sized enterprises (which have annual revenues of R\$ 360,000 to R\$ 10 million per year) throughout the country;

>> Of the total resources of the program, 85% come from the National Treasury (R\$ 34 bi) and 15% from private banks. The financing will be operated by banks that entrepreneurs already have a relationship with;

>> The BNDES announced an emergency line of credit for health companies worth R\$ 2 billion. The interest applied will also be 10% per year;

>> The Government will also make available, via Caixa Econômica Federal, a R\$ 5 billion financing line for Santas Casas - which are non-profit entities - from all over the country at a rate of 10% per year. Until then, this rate was 20%. Old contracts will also be revised;

>> The Caixa Econômica also announced a new reduction in interest rates and increased payment terms. The interest on the special and revolving credit card cheque was set at 2.9% per month;

>> The Caixa will also allow the postponement of the payment of the installments of those who have real estate financing, for three months, benefiting 800 thousand families;

>> The Federal Revenue Service expands the list of products destined to the fight against coronavirus, which will have priority customs clearance. Legal Instrument: Normative Instruction RFB No. 1,929;

>> Properties and areas of the Federal Government with potential use for hospitals are being mapped out by the Ministry of the Economy's Secretariat for Coordination and Governance of Union Assets (SPU/ME) to be used as campaign hospitals;

>> The Ministry of Economy invites Brazilian Startups to participate in the StartupsxCovid19 campaign, launched by the Governance & New Economy Community (Gonew.co), with support from the Brazilian Startups Association (Abstartups). Companies that have innovative solutions to face the coronavirus crisis, in areas such as contagion prevention, treatment and technological solutions for remote work should share their experiences in social networks with hashtag #StartupsVCovid19 and register them in this form <http://bit.ly/StartupVsCovid19>.

March 25th

>> The estimates are that the economic measures aimed at reducing the impacts of Covid-19 reached R\$ 306.2 billion;

>> A further R\$ 3.4 billion in extraordinary credit was released for the ministries: Science and Technology; Foreign Affairs; Defense and Citizenship;

>> Of this total, R\$ 3 billion are directed to the expansion of the Bolsa Família, as announced last Monday (23/23). Legal Instrument: Provisional Measure 929 (in force);

>> The Ministry adapted public procurement procedures to offer more agile tools. The main actions are focused on debureaucratizing access to health inputs and encouraging the country's economy. All the guidelines in public logistics in the fight against Covid-19 are gathered and can be found in the Government Procurement Portal. Legal Instrument: Provisional Measure No. 926 (in force);

>> The Ministry also confirmed that it received the donation of 25 thousand masks to strengthen the fight against Covid-19. Both citizens and companies can donate medical and hospital products to be used by servers in the prevention of the disease. If the government were to buy the product, considering the market price, it would have spent around R\$1.4 million. Normative instrument: Public Call ME 1/2020 (in force).

March 24th

>> The National Treasury Attorney's Office (PGFN) and the Special Federal Revenue Service (RFB) have extended the validity period of Certificates of Negative Federal Tax Credits and Active Federal Debt (CND) and Positive Certificates with Negative Federal Tax Credits and Active Federal Debt (CPEND). Legal Instrument: Joint Ordinance No. 555.

March 22nd

>> The federal government and the National Economic and Social Development Bank (BNDES) announced emergency measures to help mitigate the effects of the new coronavirus pandemic in Brazil;

>> The news, which totals R\$ 55 billion:

- (I) Transfer of resources from the PIS-PASEP Fund to the Severance Premium Reserve Fund (FGTS), in the amount of R\$ 20 billion (as already announced on March 16);
- (II) Temporary suspension of payments of direct financing installments for companies in the amount of R\$ 19 billion;

- (III) Temporary suspension of payments of indirect financing installments for companies in the amount of R\$ 11 billion;
- (IV) Expansion of credit for micro, small and medium-sized companies (MSMEs), through the partner banks, in the amount of R\$ 5 billion;

>> The federal government put the Todos por Todos platform online, so that companies, entities and associations, in addition to public agencies, can now offer services and products free of charge or on an emergency basis. The page is accessible via the link www.gov.br/todosportodos (only in Portuguese) and concentrates a citizen-focused network so that everyone can access services and information on the Covid-19 (coronavirus) pandemic.

March 21st

>> The federal government established new procedures to simplify and expedite public procurement to address the public health emergency caused by the coronavirus. As of this Saturday (March 21), the bidding for the acquisition of goods, services - including engineering - and health supplies destined to fight the Covid-19 pandemic is waived. Legal Instrument: Provisional Measure No. 926.

March 20th

>> Considering the extent of the Covid 19 pandemic around the world, the Ministry of Economy revised the projection for Brazilian GDP in 2020 from 2.1% to 0.02%. (Bimonthly Revenues and Expenditure Report Jan/Feb 2020);

>> The Congress concluded the recognition of the State of Emergency, which exempts the Government from the primary result goal this year that was estimated at a deficit of R\$ 124.1 billion. The measure opens fiscal space for the adoption of measures to confront the new coronavirus. The limits to the Government's expenses and the compliance with the Golden Rule are maintained. Legal instrument: Legislative Decree No. 6 of 2020 (in force);

>> The Ministry of Economy (ME) announced that it is studying a way to anticipate the resources of contracts signed from public purchases for federal government suppliers. To this end, it opened a public consultation to verify the feasibility of the procedure with financial institutions, entrepreneurs, public managers and citizens. Those interested have until Friday, 27/3, to participate. Legal Instrument: Normative Instruction (IN) of the Ministry of Economy (to be adopted).

March 18th

>> The Federal Government asked National Congress to declare a State of Emergency so that more resources can be spent to guarantee the health and

employment of Brazilians. With this, the Ministry of Economy will be able to reassess the primary result goal of 2020;

>> The rates of importation of products for medical-hospital use have been reduced to zero;

>> The Foreign Trade Board (Camex) zeroed Import Tax on 50 products to combat the coronavirus. The Resolution includes goods such as gloves, masks and ethyl alcohol to respirators, to facilitate the care of the population and minimize the economic impacts of the pandemic;

>> The National Treasury Attorney General's Office (PGFN) will suspend collection acts and facilitate the renegotiation of debts as a result of the pandemic. The measures will be published in the Official Gazette;

>> The Federal Revenue Service will simplify customs clearance of products for medical and hospital use intended for Covid-19 combat;

>> Suspension, for one hundred and twenty days, of the requirement of annual re-registration of retirees, pensioners and civil political amnesties, as well as of technical visits, for proof of life.

>> Increases in the amounts allocated to emergency measures from up to R\$ 147.3 billion, initially, to R\$ 169.6 billion. Of this total, R\$ 11.8 billion will be directly allocated to combat the pandemic; up to R\$ 98.4 billion to assist the most vulnerable population; and up to R\$ 59.4 billion to maintain jobs;

>> The Government announced the creation of an emergency aid of R\$ 200 per person for three months to support informal workers, the unemployed and individual micro-entrepreneurs (MEIs) who are part of low-income families. The measure will benefit 15 to 20 million Brazilians and inject up to R\$ 5 billion per month into the economy, being financed with Union resources;

>> This emergency aid cannot be accumulated with social security benefits, Continuous Cash Benefit (BPC), Family Allowance or unemployment insurance;

>> Creation of a program to avoid layoffs during the pandemic period. The Ministry of Economy will create the Anti-employment Programme. The objective of the initiative is to facilitate labour negotiations in order to reduce the costs of the labour contract and preserve the employment ties, within the limits foreseen in the Federal Constitution;

>> The program foresees the adoption of the following measures: home office, anticipation of individual vacations, decree of collective vacations, adoption and expansion of compensation hours, proportional reduction of wages and working hours, anticipation of non-religious holidays, in addition to the deferment of Severance Premium Reserve Fund (FGTS) collection during the state of emergency, which had already been announced;

>> Due to the urgency of the Covid 19 crisis, the Census that would be carried out by the Brazilian Institute of Geography and Statistics (IBGE) was postponed to 2021. With this, the resources (R\$2.3 billion) previously expected to be allocated in this activity will be directed for Health.

>> A non-automatic license for the export of products necessary to combat Covid-19 will be adopted, such as alcohol gel, antiseptics, masks and respirators. The objective is to prioritize the supply of these products in the internal market.

>> Non-automatic licensing will allow the government to assess export requests for products needed to combat Covid-19. Normally, exports of these products are not subject to any type of restriction. From now on, and for as long as necessary, the Brazilian government will monitor these exports to ensure full domestic supply of items essential to the fight against Covid-19, at the same time as it can release foreign sales of the productive surplus.

March 17th

>> The interest rate on consigned loans for retirees and pensioners of the National Institute of Social Security (INSS) will go from the current 2.08% per month to 1.80% per month, while the rate for the credit card will be reduced from 3% per month to 2.70% per month;

March 16th

>> Some of the measures announced are estimated to inject R\$ 147.3 billion into the economy. Most of this (R\$ 83.4 billion) will go to the older population and almost R\$ 60 billion will go to maintaining jobs;

>> In order to give more working capital to the companies, the government has extended the payment by companies of the Severance Premium Reserve Fund (FGTS) and also the part related to the Union's share in the Simples Nacional;

>> In this sense, the contributions due to the S System (group of 10 institutions that play a very important role in the provision of education and training) will be reduced by 50% for three months so as not to affect the companies' cash flow;

>> The government has anticipated the second instalment of the 13th salary of retirees and pensioners of INSS for the month of May (instead of December). Previously, the government had already announced that the first instalment would be brought forward to April (usually paid in July);

>> To put even more resources to move the economy, the government will transfer the amounts not drawn from PIS/Pasep to the Severance Premium Reserve Fund (FGTS) to allow new withdrawals and bring forward to June the payment of the salary allowance;

>> To strengthen Health, the government will allocate the balance of the DPVAT fund (R\$ 4.5 billion) to the Unified Health System (Sistema Único de Saúde - SUS);

>> Tax on Industrial Products (IPI – Imposto sobre Produtos Industrializados) will be temporarily suspended for domestically produced or imported goods that are necessary to combat the Covid-19;

>> Renegotiation of credit operations of companies and families, as the government has exempted banks from increasing the savings they have to leave in cash (provisioning) in case this renegotiation occurs in the next six months;

>> The government gave more artillery to the banks to carry out the eventual renegotiations and to maintain the flow of new loans because we lowered the need of equity for the so-called "leverage". In practice, banks will need to have less cash to make the transactions. This change alone can increase the lending capacity by around R\$ 637 billion.
