

Panorama

Federal Government and Coronavirus

Main initiatives that impact the private sector

April 22, 2020

OVERVIEW



The appointment of oncologist Nelson Teich as the new Minister of Health stems the conflict within the federal government over health policy, after weeks of disputes between President Bolsonaro and now former Minister Luiz Henrique Mandetta. The change does not indicate renewed efforts to modify local isolation policies, however. Despite Bolsonaro's desire, Teich did not commit himself to making the restrictive measures more flexible, but rather to systematizing information that would support future decisions, avoiding "abrupt definitions."

The administration's greatest challenge remains in ensuring that aid policy money reaches those most in need. Sectoral packages via the Brazilian Development Bank (BNDES) aimed at the most affected activities (airlines, bars, restaurants, tourism) and additional relief measures for small businesses are also expected. Establishing effective coordination with the legislative branch will be necessary in order to ensure control over public accounts and restrict the extra spending to 2020. A USD 29.8 billion deficit is already estimated for 2021.

Measures designed to face the crisis already have a fiscal impact that amounts to 3.76% of the Brazilian GDP, a level equivalent to the average in advanced economies (3.82%). Investments exceed the average for coping measures in emerging peers in (1.71% of GDP). Even so, while an average drop of 1% is expected among emerging countries, the IMF projects a 5.3% retraction in the Brazilian economy in 2020.

Reflecting weekly updates, this document presents the federal government's essential measures that impact the private world: labor and tax measures, plans for credit and liquidity, essential activities and committees and task forces.

BROWSE TOPICS



ESSENTIAL ACTIVITIES **CREDIT**

LOGISTICS

TAX

COMMITTEES

LABOR

AND TASK FORCES

KEY TO NEXT STEPS INVOLVED IN THE MEASURES





RELATED REGULATIONS



HOUSE OF REPRESENTATIVES



EXECUTIVE BRANCH



SENATE



SUPERIOR COURTS





ESSENTIAL ACTIVITIES



ACTIVITIES AUTHORIZED TO OPERATE



Considered indispensable to meet the urgent needs of communities while the pandemic lasts

SCOPE Federal, state and municipal governments and private entities

IMPORTANT NOTICE



The Decree conflicts with the most restrictive measures adopted at the state and municipal levels. The Supreme Court ruled that local governments also have autonomy to regulate essential activities. Decisions may be questioned by the federal government, but it exempts federal entities that have imposed more restrictive measures, from complying with the decree.

LIST OF ACTIVITIES





Passenger and cargo transportation

Telecommunications and internet

Water, sanitation and garbage collection

Energy

- Oil and fuels
- Production and marketing of food, health and hygiene products
- Payment, credit and withdrawal services
- Capital markets and insurance
- Tax and customs inspection

Press
Decree 10,292

Mining

MME Ordinance No. 135

Advisory Activities

To include those deemed essential are as defined in regulatory standards such as those that apply to the press and mining

SOCIAL DISTANCING

The Ministry of Health has issued criteria recommendations for adoption of social distancing policies, according to available infrastructure and the number of local infections.

SCOPE Guidelines for state and municipal

health departments

IMPORTANT NOTICE



The criteria are set out in Epidemiological Bulletins No. 7 and 8 and are not binding

CONSUMER

Businesses operating in sectors that involve essential activities and the sale of products to final consumers must register by May 1 on the CONSUMIDOR.GOV platform. Criteria:

- Gross sales> BRL 100 million;
- Average 1,000 complaints per month; OR
- Face over 500 consumer lawsuits

TAX



Initially, the economic team focused on medical products to ensure that provisions did not impact revenues. To recalibrate cash flows during the period of economic contraction, business groups joined forces to secure a delay in payment deadlines for certain taxes.

Debt renegotiation (5)



Allows companies that are unable to pay taxes to renegotiate their debts and obtain access to credit, though it should not include social security debt.



Presidency Provisional Measure Publication

Employer contributions to Social Integration Program (PIS/Confins and PIS/Pasep) and private pension deferments

Ordinances N. <u>139/20</u> and <u>150/20</u>

Federal Revenue Instruction N. 1.932/20

Payments referring to April and May delayed to August and October

Reduction of contributions to business training programs

Provisional Measure N. 932/20

Decreased by 50% for three months



Until June 30



House Votina



Supreme Court Preliminary Injunction

Over-hedge tax treatment



Allows tax cuts in 2021 on exchange variations in over-hedge investments by financial institutions.



Cuts to Tax on Financial Transactions (IOF)

Decree N. 10.305/20

IOF rates on credit transactions cut to zero. There are no sectoral restrictions to the benefit.



Tax cuts on medical supplies





CAMEX resolutions N. 17, 22, 28, 31, 32/20

Import Taxes (II) and Tax on Industrialized Products (IPI): Rates on a list of products cut to zero – this includes alcohol, disinfectants, personal protective equipment, pharmaceutical and laboratory supplies, and more.



Until September 30

New products may be included through presidential decree or by the Brazilian Chamber of Commerce (CAMEX)

Simples Nacional Deferment

Simples Nacional Management Committee (CGSim) Resolution N. 152/20

Federal: Payments referring to April, May and June were delayed until October, November and December

States: Payments referring to April, May and June were delayed until July, August and September

6-month delay for micro businesses



CGSim Publication of a Resolution for states

Length of Service Assurance Fund (FGTS) Deferment

Provisional Measure N. <u>927/2</u>

Caixa Notice N. 897/20

Payments referring to March, April, and May can be paid in up to six installments with no fines or interest.



House Votina

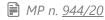
LABOR



Measures seek to avoid mass layoffs due to the interruption of economic activity.

Measures are aimed at companies of all sizes and sectors.

Financing of SME payroll



MP n. <u>943/20</u> (BRL 34 billion in extraordinary credit)

Res. <u>4.800</u> and Circ. <u>3997</u> (Central Bank)

Financing of salaries for companies with revenues from 360 thousand to 10 million. Limited to 2 minimum wages and maintenance of employment. 6-month grace period and 30 months repayment at a cost of 3.75% p.a.



2 months



Reduction and suspension of the employment contract

MP n. 936/20

MP n. <u>935/20</u>
(BRL 51.6 billion in extraordinary credit)

Reduction

25% - Any employee **50%** and **70%** - Up to 3 minimum wages

The government will supplement income within the percentage of reduction.



Up to 3 months

Suspension

Revenue < BRL 4.8 million

Government pays 100% of unemployment insurance

Revenue > BRL 4.8 million

Government pays 70% and company 30%



Up to 2 months



House Voting MPs 935 and 936

936

STF Injunction Referendum* Forecast: 04/16

*On whether individual agreements require union approval

Emergency aid for informal workers



Law n. 13.982/20

MP n. <u>937/20</u> (BRL 98.2 billion in extraordinary credit)

Decree n. 10.316/20

Ordinance n. <u>351/20</u> (Ministry of Citizenship)

Benefit of BRL 600 for Individual Micro Entrepreneurs (MEI) who are individual contributors to the pension system, included in the Single Registry (CadÚnico), and who do not receive benefits. Operated by public banks and issued through lotteries, correspondent banks and mobile banking.



3 months





Senate Expansion of Benefit Bill PL 873/20

Loosening of labor rules

MPs n. <u>927/20</u> and n. <u>928/20</u>

Adoption of measures such as teleworking; anticipation of individual holidays; collective vacation concession; use and anticipation of holiday pay; accrued hours; and suspension of administrative requirements.



House Voting MPs 927 and 928



this week

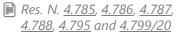
* Preliminary injunction maintains validity of the provisions of MP 927/20

CREDIT



Measures have sought to ease regulatory conditions and inject liquidity into the system. The socalled "War Budget" would allow the Central Bank to buy credit directly from companies. Treasury resources will prioritize micro and small businesses.

Liquidity injection



Ordinance n. 3.993/20 (Central Bank)

Regulatory measures aimed at the banking system and capital markets. It includes a decrease in bank reserve requirements, an increase in the repurchase of financial bills and temporary liquidity lines. The financial impact exceeds BRL 1.2 trillion.



CAIXA's interest rate reduction

Reduced interest rates on all credit lines.

No interest will be charged on real estate credit.



3 months

Direct credit purchase by the Central Bank

Included in PEC 10/20

Central Bank may buy debentures directly from companies, similar to what is done by the Federal Reserve in the USA.



House Returned for analysis after Senate modifications.



Working capital for SMEs

CODEFAT Res. nº 849, 850, 851, 853 e 854/20

BRL 5 billion of Worker's Support Fund (Proger/FAT) transferred to public banks to grant credit to companies with revenues of up to BRL 10 million.

Flexibility to renegotiate credits

Res. N. <u>4.782</u>, <u>4.783/20</u>, <u>4.803/20</u> (Central Bank)

Expands financial capital and exempts banks from increasing provisioning for renegotiation of credit operations.



Next 6 months

Suspension of payments to the **Brazilian Development Bank** (BNDES)

Interest and principal payments suspended on direct (BRL 19 billion) and indirect (BRL 11 billion) transactions.



6 months

Selic reduction

Notice n. 35.364/20 (Central Bank)

The economy's basic interest rate is reduced to 3.75% p.a. - its lowest level in history.

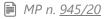
LOGISTICS



The sector continues to operate without obstacles and there is no risk of shortages in Brazil.
Regarding restrictions imposed by state and municipal governments, the Supreme Court ruled they have the authority to impose such measures, even if they are harsher than Federal norms.

Consetrans

Port workers



Compensation guaranteed to individual port workers prevented from working due to having symptoms of COVID-19.

Port operators pay the compensation, but can request redress of the terminal lease agreement; in the event no workers are available, port operators can hire freely.



House Voting

Essential air transport network

The Council was established to solve displacement problems in states pressured by local policies regarding restriction of passage. In addition to the Minister, the Council includes and 1 transport secretariat representatives from the 27 states and Federal District

An agreement between the Federal Government and airline companies ensures the minimum network of commercial flights connecting capitals and 19 other cities.

Border closure

Ordinances n. 47, 125 and 132 (Chief of Staff)

Ordinance n. <u>8</u> (MJSP)

Restricted entry of foreigners of any nationality by land, water and air - the measure does not prevent the entry of Brazilians and cargo transportation. There is a move to extend these measures until review by the ANVISA.

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By Air: 04/26

By Water: 04/25

By Land: 05/02

A Truckers

Although the probability of materializing is low, truckers have been pressing to keep support trade open and receive emergency aid by threatening to strike and discontinue the isolation policy.

The government is working on measures to support the industry, such as priority H1N1 vaccination and coordination with municipal entities to ensure the functioning of what the industry deems essential trade

COMMITTIES AND TASK FORCES



Federal Government creates groups to coordinate combat measures and address sectoral demands

Group monitoring the economic impacts of the COVID-19 pandemic

Coordination Executive Secretariat of the

Ministry of Economy

Work Monitors the fiscal, budgetary, credit, tax, productive sector and labor dimensions, among others, to propose measures that mitigate

economic impacts.

Composition All ME secretaries

Points of Marcelo Guaranys Contact Executive Secretary

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Carlos da Costa Productivity Special Secretary

(61) 2027-7002 agendagm@mdic.gov.br **National Council of Transport Secretaries**

Coordination Executive Secretariat of the

Ministry of Infrastructure

Work With an advisory role, it solves the

displacement problems in states, and facilitates logistical flows and the supply of essential goods.

Chaired by Minister Tarcísio de Composition Freitas (Infrastructure) and

composed of Secretaries of Land, Water and Air Transport and

transport secretariat

representatives of each State and

the Federal District.

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Operations Coordination Center

Coordination Deputy for Coordination and

Monitoring in the Office of the

Chief of Staff

Work Coordinates federal government

operations and helps formulate actions to combat the pandemic with the public and private sectors.

Composition Members from all ministries, from

four regulatory agencies (ANVISA, ANAC, ANATE, ANTT), the Brazilian Intelligence Agency (Abin), Federal

and Highway Police and the Special Secretariat for Strategic

Affairs in the Office of the

President.

Point of Heitor Freire de Abreu

Contact Deputy

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DONATIONS



Federal Government creates channels for financial donations as well as goods and services

Todos por todos (All for All)

What A platform that receives offers of goods and services for the federal government and society at large

Administered By Ministry of Economy

Donors may be from third sector companies, entities or organizations. Offers must be made free of charge, without any counterpart commitment by the beneficiary

Beneficiaries Federal government and society at large

Arrecadação Solidária (Solidary Fundraising)

What Provides a bank account managed for the transfer of funds

Administered By Bank of Brazil Foundation

Donors Companies and the general public

Beneficiaries Donations will go to civil

society organizations that work to combat COVID-19 and its social and economic effects

Caring Brazil (Brasil Acolhedor)

What Brings together actions to support vulnerable populations in the face of the pandemic, building public policy in partnership with the business sector and civil society to collect personal items such as food and hygiene products

Administered by Cooperation Agreement

Beneficiaries Institutions and beneficiaries of the *Bolsa Família* social welfare

program

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