

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

TAX

LOGISTICS

LABOR

COMMITTEES
AND TASK FORCES

KEY TO NEXT STEPS INVOLVED IN THE MEASURES



DURATION



RELATED REGULATIONS



HOUSE OF REPRESENTATIVES



EXECUTIVE BRANCH



SENATE



SUPERIOR COURTS



UPDATES



ESSENTIAL ACTIVITIES

ACTIVITIES AUTHORIZED TO OPERATE

 Decree 10.282

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



Health



Safety



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.

Over-hedge tax treatment

 Provisional Measure [930/20](#)

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.



Debt renegotiation



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

Tax cuts on medical supplies

 Decrees N. [10.285](#) and [10.302/20](#)



 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)

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

 Ordinances N. [139/20](#) and [150/20](#)

 Federal Revenue Instruction N. [1.932/20](#)

Payments referring to **April** and **May** delayed to **August** and **October**

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

Reduction of contributions to business training programs

 Provisional Measure N. [932/20](#)

Decreased by 50% for three months



Until June 30



House
Voting



Supreme Court
Preliminary Injunction

Length of Service Assurance Fund (FGTS) Deferment

 Provisional Measure N. [927/2](#)

 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
Voting

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. 944/20

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


 Res. 4.800 and Circ. 3997 (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

 House
Voting
MPs 943 e 944

Reduction and suspension of the employment contract

 MP n. 936/20

 MP n. 935/20
(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

 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. 937/20
(BRL 98.2 billion in extraordinary credit)


 Decree n. 10.316/20

 Ordinance n. 351/20
(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


 House
Voting
MP 937


 Senate
Expansion of Benefit
Bill PL 873/20

Loosening of labor rules

 MPs n. 927/20 and n. 928/20

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

 Supreme Court
Injunction
Referendum*
To be discussed
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 so-called "War Budget" would allow the Central Bank to buy credit directly from companies. Treasury resources will prioritize micro and small businesses.

Liquidity injection

📄 Res. N. [4.785](#), [4.786](#), [4.787](#), [4.788](#), [4.795](#) and [4.799/20](#)

📄 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.



Central Bank
Operating standards

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. n° [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. [4.782](#), [4.783/20](#), [4.803/20](#)

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

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 transport secretariat representatives from the 27 states and Federal District

Port workers

 *MP n. 945/20*

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

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. 8 (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.



By Air: 04/26

By Water: 04/25

By Land: 05/02

⚠️ 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 Contact** Marcelo Guarany
Executive Secretary
(61) 3412-2407
secretariaexecutiva@economia.gov.br
- 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.
- Composition** Chaired by Minister Tarcísio de Freitas (Infrastructure) and composed of Secretaries of Land, Water and Air Transport and transport secretariat representatives of each State and the Federal District.
- Point of Contact** Marcelo Sampaio
Executive Secretary
(61) 2029-7090
executiva@infraestrutura.gov.br

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 Contact** Heitor Freire de Abreu
Deputy
(61) 3411-1212
sam@presidencia.gov.br

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 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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