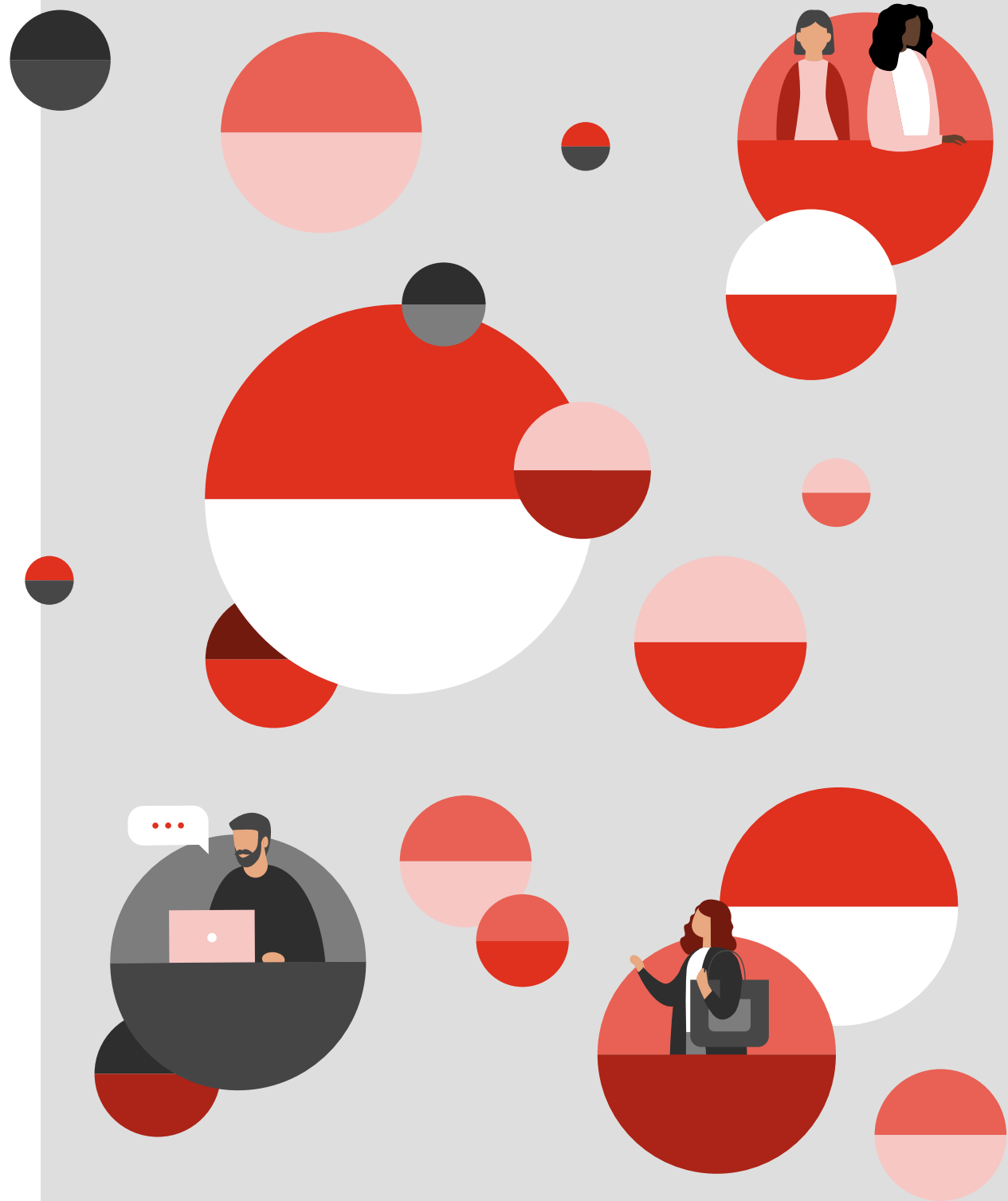




A budget proposal that came as no surprise

2024 State Budget Law

January 2024






.....

This document highlights the key aspect
of the 2024 State Budget.

PwC explains!

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 Click on each chapter to easily access
the contents.

2024 State Budget

Final Law

1.

Personal Income Tax (PIT)

“

General review of the cap of each bracket and review of the PIT rates applicable up to the fifth bracket.”

General Rates

The caps of each bracket of the PIT table of general rates have been updated by 3%. The rates applicable up to the fifth bracket were also updated. Hence, the general PIT rates are now the following:

Taxable income (EUR)	Rate	Deduction (EUR)
Up to 7,703	13.25%	0.00
Exceeding 7,703 up to 11,623	18.00%	365.89
Exceeding 11,623 up to 16,472	23.00%	947.04
Exceeding 16,472 up to 21,321	26.00%	1,441.14
Exceeding 21,321 up to 27,146	32.75%	2,880.47
Exceeding 27,146 up to 39,791	37.00%	4,034.17
Exceeding 39,791 up to 51,997	43.50%	6,620.43
Exceeding 51,997 up to 81,199	45.00%	7,400.21
Exceeding 81,199	48.00%	9,836.45

Subsistence level

There is an update of the base value of the subsistence level. This aims at following the increase of the monthly minimum wage (“Remuneração Mínima Mensal Garantida” or “RMMG”).

Deduction of expenses with unions

There is an increase to 100% (formerly, 50%) of the markup of expenses with unions allowed as deductions for Categories A (employment work) and H (pensions).

PIT

Youth PIT (“IRS Jovem”)

There is a new reinforcement of the tax benefits applicable to income earned by young workers (non dependants) aged 18 to 26 or up to 30 if finalizing a PhD. The applicable exemptions are the following:

- 100% in the first year capped at 40 times the amount of the Social Support Index (“Indexante dos Apoios Sociais” or “IAS”).
- 75% in the second year capped at 30 times the amount of the IAS.
- 50% in the third and fourth years capped at 20 times the amount of the IAS.
- 25% in the fifth year capped at 10 times the amount of the IAS.

“.....

The benefits granted under the Youth PIT regime are once again reinforced through an increase of the percentages of exempt income and applicable caps.”

.....

Former residents (“Ex-residentes”)

The 50% relief from taxation of employment and business income under the former resident’s regime shall apply to taxpayers that become residents in the years 2024 to 2026, if they were not resident in the Portuguese territory in one of the previous five years. In addition, those taxpayers are required to have been resident in the Portuguese territory in any period preceding said five year period.

The relief is capped at EUR 250,000 and applies for five years. This cap applies only to taxpayers who become residents in 2024 or following years.

Non habitual residents

The non habitual residents regime is revoked. It shall, however, continue to apply to the following taxpayers:

- Who are registered as non habitual residents by 1 January 2024, and until the end of the ten year period foreseen under the regime.
- With reference to 31 December 2023, taxpayers who were eligible for the regime, provided that the registration is made up to 31 March 2024.
- Who become tax residents up to 31 December 2024, provided that one of the situations foreseen in the transitional rule is verified.
- Who are members of the household of taxpayers who fulfil the conditions under the transitional regime.

“.....

The non habitual residents’ regime is revoked for taxpayers that become tax residents after 31 December 2023. A transitional regime applies until 31 December 2024 to taxpayers under certain conditions.”

.....

PIT

Tax incentives for research and innovation or special tax regime for scientific research and innovation

A tax incentive for research and innovation is created. It will apply to taxpayers that become tax resident in Portugal and that were not resident in the Portuguese territory in any of the five previous years. Eligible income includes the one deriving from:

- Higher education and scientific research teaching staff, as well as employees and board members of entities recognized as technology and innovation centres, in accordance with the specific regime applicable.
- Employees and board members within the scope of contractual benefits for productive investment, in accordance with specific legislation.
- Highly qualified professions, to be defined by decree from members of the Government, developed in companies for which certain conditions are met.
- Employees and board members of entities that carry out economic activities recognized by the Agency for Investment and Foreign Trade (AICEP) or by the Agency for Competitiveness and Innovation (IAPMEI) as being relevant to the national economy.
- Research and development by staff whose costs are eligible for the purposes of the R&D tax incentive (SIFIDE), in accordance with the applicable legislation.

- Employees and board members of certified startups, in accordance with the applicable legislation, or
- Employment or other activities carried out by taxpayers that are tax residents in the Autonomous Regions of the Azores and Madeira, in accordance with the terms to be defined by regional decree law.

The regime provides for:

- A special 20% rate on net employment income (category A) and business and professional income (category B) from the above activities, applicable for ten consecutive years.
- An exemption on foreign sourced employment income, business and professional income, investment income, real estate income and capital gains.

The regime shall not apply to taxpayers covered or that have been covered by the non habitual residents or by the former residents' regimes.

Availability of housing by the employer

There is an exemption from PIT and social security contributions on the income in kind derived by employees resulting from the use of permanent housing in the Portuguese territory made available by the employer. This shall apply from 1 January 2024 to 31 December 2026. The exemptions are capped at the limit of the value of the rents foreseen in the Programme to Support Rental ("Programa de Apoio ao Arrendamento").

The exemption shall not apply to taxpayers that hold directly or indirectly 10% or more of the share capital or of the voting rights of the employer.

“
An exemption from PIT applies to profit share in benefit of the employees"
.....

PIT

Profit share

Profit share distributions in benefit of employees are exempt from PIT. The exemption equals the amount of one monthly fixed remuneration and is capped at five times the amount of the monthly minimum wage proposed.

This will depend on the employer implementing a nominal increase in 2024, by at least 5% of the fixed remunerations of the employees.

Such income must however be included for the purpose of assessing the rate applicable to the remainder income earned.

Per diem and use of own car

Per diem and compensation for the use of own car at the service of the employer shall again benefit from the regime applicable to public servants. Accordingly, the exclusion from taxation shall consider the following amounts:

- Use of own car: EUR 0.36 (formerly) → EUR 0.40 (new amount).

- Use of own car: EUR 0.36 (formerly) → EUR 0.40 (new amount). *er diem* – travelling in the national territory:
 - Employees EUR 50.20 (formerly) → EUR 62.75 (new amount).
 - Government members and equivalent position in the private sector: EUR 69.19 (formerly) → EUR 69.19 (new amount).
- *Per diem* – traveling abroad:
 - Employees, EUR 89.35 (formerly) → EUR 148.91 (new amount).
 - Government members and equivalent position in the private sector: EUR 100.24 (formerly) → EUR 167.07 (new amount).

Gains from share plans

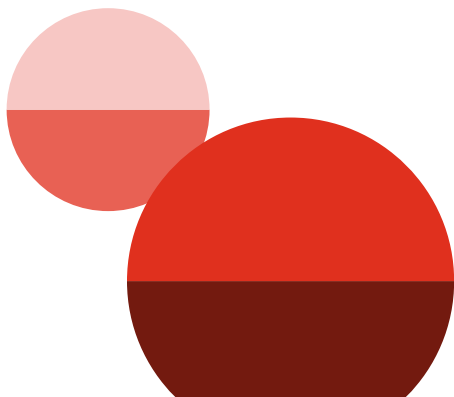
The new tax regime applicable to share plans shall be amended as follows:

- It shall be extended to apply to gains derived from plans implemented by entities recognised as start-up that meet all the respective requirements and that have created the share plan in the year of incorporation/first year of activity.
- Removal of the limitations currently applicable in the case of board members in respect of the benefits of the regime.

- One-off partial PIT exemption applicable to the income assessed at the moment of ceasing to be a tax resident in the Portuguese territory (exit tax). This shall be capped at 20 times the amount of the IAS. Such income must, however, be included for the purpose of assessing the rate applicable to the remainder income earned.
- It is further clarified that the regime shall apply to plans in respect of shares or other rights with an equivalent nature created by other entities with whom the employer is in a domain, group, or ownership relation.

In the case of employees holding shares that have already benefited from a PIT exemption under the previous tax regime applicable to the acquisition of shares, the following rules apply:

- Those employees shall be allowed to maintain the exemption provided that they hold said shares for a minimum two-year period, computed as from the exercise of the option or subscription of the plan.
- Gains derived from the sale for a consideration of securities covered by the above-mentioned regime are taxed under Category G for its full amount. The gain assessed corresponds to the positive balance between the sales proceeds and the market value with reference to the date of the acquisition of the option or right.



PIT

Deduction of capital losses

The possibility to carry forward during a five-year period capital losses on the disposal of shares and other movable property mandatorily subject to taxation at progressive rates is reinstated.

Business income – Young farmers

First settlement awards granted to young farmers now benefit from a 0.1 coefficient under the simplified tax regime. They shall be considered only by 50% of the respective amount in the case of organized accounting.

Real estate income – Home rental prior to the Urban Lease Regime

An exemption applies to rental income obtained under home rental agreements concluded before the entry into force of the Urban Lease Regime (“Regime do Arrendamento Urbano” or “RAU”) that are subject to the regime foreseen in Articles 35 or 36 of the new RAU. Accordingly, this applies to tenants with an adjusted gross annual income of less than five national minimum annual salaries or aged 65 or above, or disabled with a degree of incapacity equal to or higher than 60%.

The exemption is granted during the period of the lease agreement.

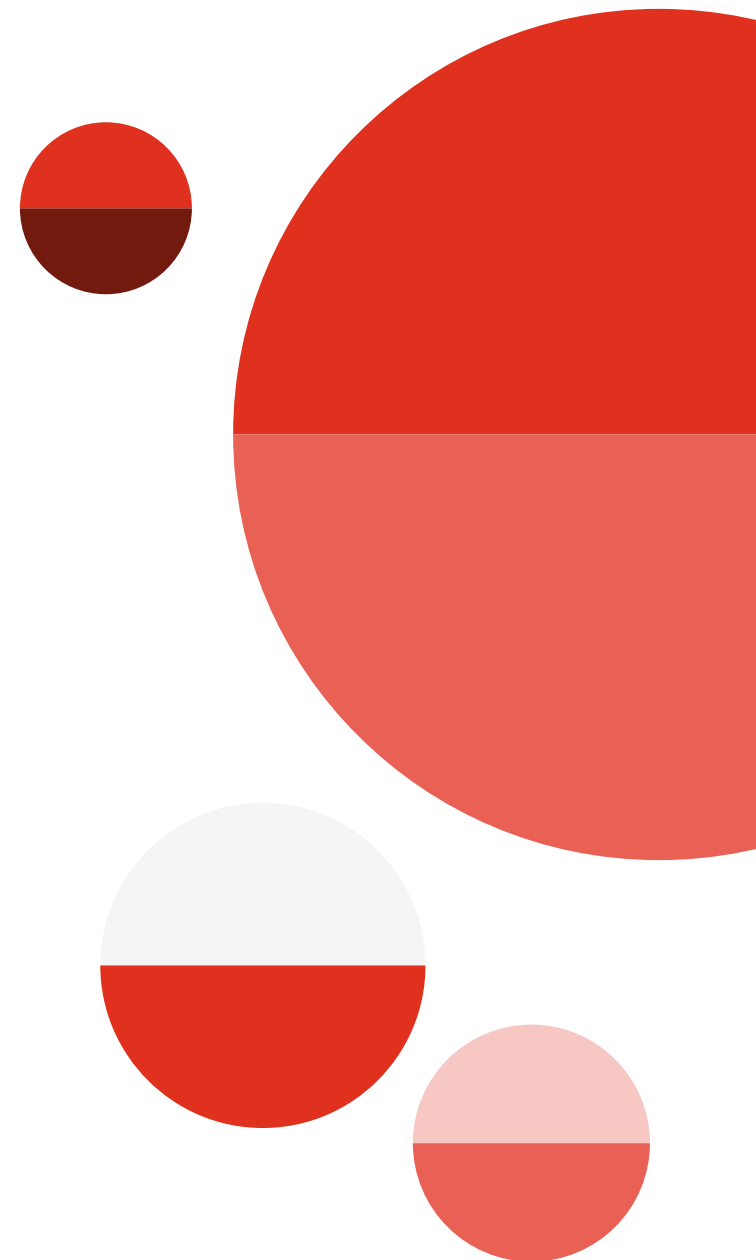
Tax exemption applicable to gains arising from the disposal of real estate to the State

A PIT (and CIT) exemption applies to gains arising from the disposal for a consideration of building land, in favour of the State, of the Autonomous Regions, of corporate public entities based in the area of the property or local municipalities. Formerly, the exemption applied only to real estate for housing purposes.

PIT withholding – Deduction related to expenses with permanent dwelling

In 2024 there is the possibility of applying a reduction of the PIT withholding on employment income (category A). On the calculation of the portion to be deducted and corresponding to the applicable rate and family status of the taxpayer, an amount of EUR 40 will be added, provided that (i) the taxpayer holds a lease or sublease agreement for permanent housing purposes, duly registered with the tax authority, or was granted a loan to acquire, improve or build the respective permanent dwelling and (ii) earns a monthly remuneration that does not exceed EUR 2,700.

The employee must inform the employer about its option for the increased deduction before the income is paid or placed at disposal.



PIT

Tax deductions – Education and training expenses

It is clarified that the expenses incurred with professional training shall be included in the tax deduction applicable to education and training expenses. There will not be any amendment to the overall cap applicable.

Regarding the deductible amounts related to rents borne with displaced student's residence, the maximum deduction increases to EUR 400. The overall cap for education and training expenses of EUR 800 can be increased by EUR 300 when the difference arises from said expenses.

Tax deductions – Property expenses

The maximum amount of the tax deduction relating to the costs borne by the taxpayer with rents relating to property for personal and permanent housing increases to EUR 600 (formerly EUR 502).

Taxpayer with a taxable income equal to or lower than the first PIT bracket (currently EUR 7,703) the deduction is increased to EUR 900 (formerly EUR 800).

Taxpayers with a taxable income that exceeds the first PIT bracket and lower or equal to also benefit from an adjustment of the computation of the applicable tax deduction cap applica.

Tax deductions – Expenses borne with the remuneration of domestic workers

It is established that 5% of the annual expenses borne with the remuneration of domestic workers can be deducted, with a maximum cap of EUR 200. These expenses are also subject to the general cap applicable to the remaining tax deductions.

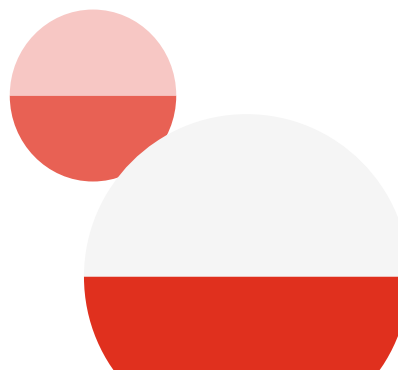
Tax deductions – Deduction based on invoices issued – Sports related expenses

It will be possible to deduct against the tax liability assessed an amount corresponding to 30% of the VAT borne by any member of the household, included in invoices issued by entities with the economic activity codes of sports and recreational education, sports club activities and gym/fitness activities.

Tax deductions – Disabled individuals

A tax deduction ranging from 2 to 0.5 times the amount of the IAS shall apply during the four years following the review or reassessment of a disability. This applies to taxpayers that:

- Benefit for at least five years of the tax deduction foreseen in Article 87, no. 1, of the PIT Code.
- Following the review or reassessment of a disability, cease to have a degree of permanent disability of 60% or higher, though maintaining a disability of 20% or more.



PIT

Procedures and types of assessment

New rules will apply to taxpayers that do not file a PIT return once notified to do so. The compulsory assessment made by the tax authority shall take into account not only any tax withheld, but also the minimum subsistence level and tax deductions related with expenses of which the tax authority is aware of.

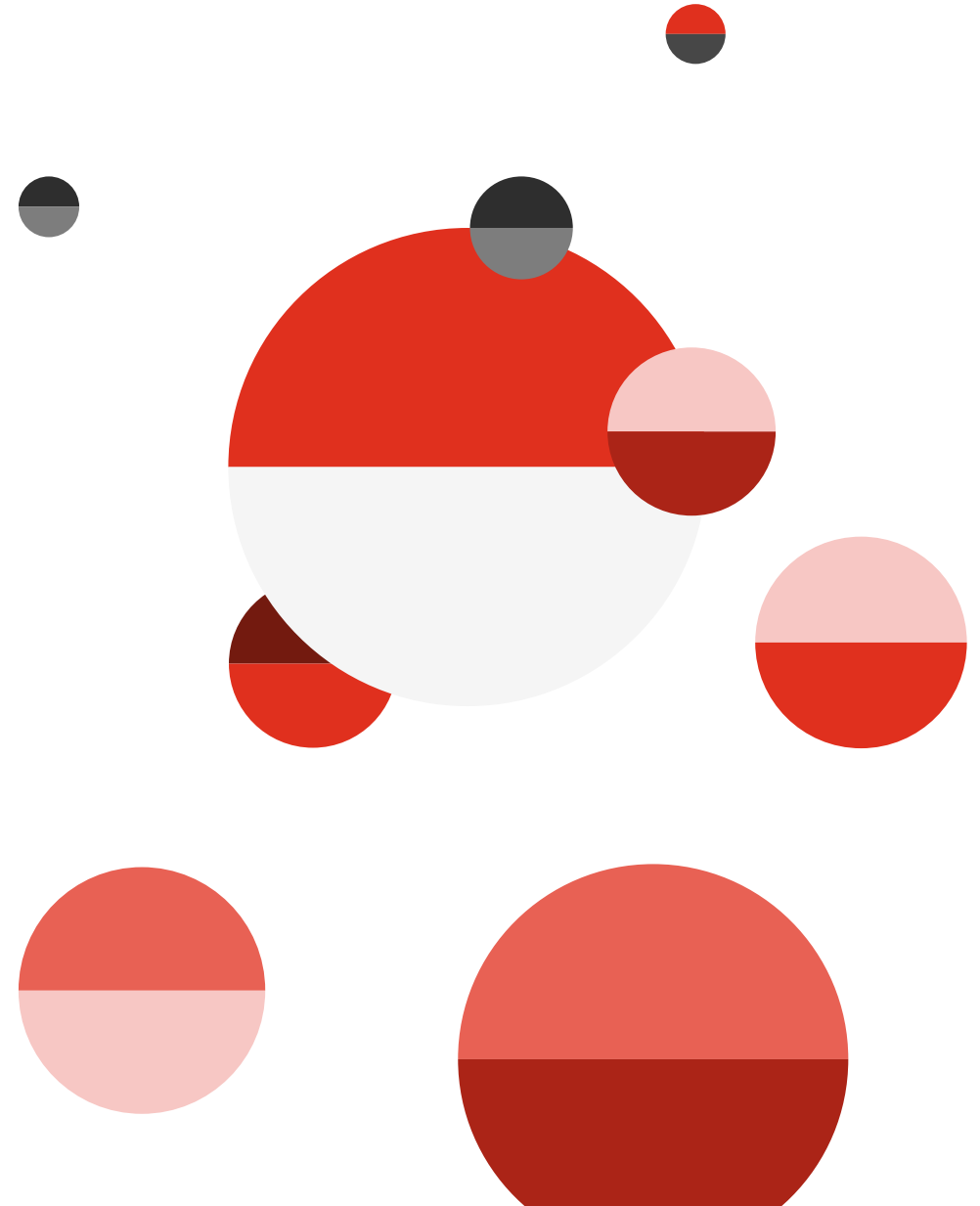
Annual PIT Declaration

The annual PIT return shall mandatorily include information on all sources of income earned in the previous year. This includes income subject to final withholding tax rates not aggregated with other income, income not subject to PIT exceeding EUR 500, as well as assets held in jurisdictions subject to a clearly more favourable tax regime.

Tax incentive under the Common Agricultural Policy

Taxpayers who in 2024 receive grants or funds under the Common Agricultural Policy can opt to be taxed in that year.

In case the payment of said grants or funds occurs after the deadline to file the PIT return, the taxpayers shall be granted the possibility of filing a replacement tax return.



2.

Corporate Income Tax (CIT)



Startups shall be subject to CIT at 12.5% on the first EUR 50,000 of taxable income."

CIT rate applicable to startups

Entities qualified as startups are now subject to a 12.5% CIT rate on the first EUR 50,000 of taxable income. The following requirements must be cumulatively met:

- i) They are innovative companies with a high growth potential, or the National Agency of Innovation ("Agência Nacional de Inovação" or "ANI") recognized that they develop competent R&D activities or certification of the process of recognition of companies in the technology sector.
- ii) Have completed at least one round of venture capital financing or have had contributions of equity or quasi-equity from business angels.
- iii) Have been granted funds from the Banco Português de Fomento, or funds managed by this entity, or by its subsidiaries, or from one of its equity or quasi-equity instruments.

Although the Budget Law establishes that these requirements must be met cumulatively, they are established as an alternative in the startups legal framework Law.

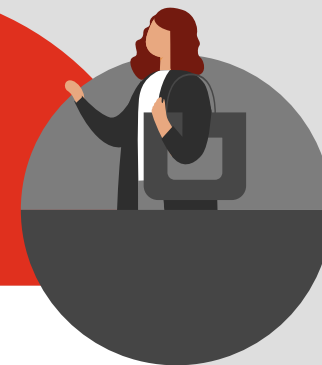
Therefore the wording of the State Budget may be a clerical error.

This benefit is subject to the applicable European Union rules on matters of de minimis aid.

Autonomous taxation rates

Expenses related to lightweight passenger vehicles, certain lightweight commercial vehicles or motorcycles are subject to autonomous taxation at the rates of 8.5%, 25.5% and 32.5% (formerly 10%, 27.5% and 35% respectively).

It is now specifically foreseen that expenses related to vehicles powered exclusively by electricity are not subject to autonomous taxation, regardless of the respective cost of acquisition, whenever these are used for public transport services, rented out on the normal course of the taxpayer's activity or its use is taxed as employment income.



CIT

CIT exemption – Remuneration of public debt

Interest on public debt paid to social security and welfare institutions are exempt from CIT.

Intangibles

The acquisition cost of goodwill acquired in a business combination is now allowed as a tax-deductible cost, in equal amounts, during the first 15 tax years (currently, 20) after its initial recognition.

This amendment shall apply only to intangibles whose initial recognition occurs from 1 January 2024 onward.

Accelerated depreciation of buildings

An accelerated depreciation at a rate of 4% (formerly, 2%) shall be allowed for buildings owned, built, acquired or whose purpose changed, covered by the tax incentive applicable to employees in the case of availability of housing by the employer.



3.

Indirect Taxes

“

Zero VAT rate on the basic food basket ends.”

Value Added Tax (VAT)

Exemptions

The basic food basket will no longer benefit from a zero VAT rate.

An exemption from VAT shall apply to entry tickets granted for free to caretakers of disabled people (with a disability degree of 60% or more, duly certified). This shall apply if the disabled can only access certain recreational and cultural events or equipment with the help of their caretakers.

There is an extension until 31 December 2024 of the VAT exemption applicable on the sale of fertilisers, soil amendments, and other products used in feeding cattle, birds or other animals, if utilised in agricultural activities.

The exemption applicable to lessons on scholar or higher education subjects no longer requires that the lessons are taught on an individual basis.

An exemption applies on the supply of goods for free aiming at a subsequent distribution to animals that are abandoned or at risk animals, in benefit of the State, social solidarity private institutions and non-profit non-governmental organisations.

This results from an extension of the exemption applicable to the supply of goods for free for people in need in benefit of the said entities.

Reduced rate

The supply of chairs and seats suitable for transporting children on bicycles will now be taxed at the reduced rate.

The acquisition, delivery and installation, maintenance and repair of devices, machines and other equipment intended exclusively or mainly for the capture and use of solar, wind, and geothermal energy, and other alternative forms of energy (previously, was limited to the delivery and installation of solar thermal and photovoltaic panels).

There is an extension until 31 December 2024 of the reduced rate applicable to the supply of electricity, excluding the respective fixed components. This applies provided that the power supplied does not exceed 6.90 kVA, and in respect to the amount not exceeding:

- a) 100 kWh in a 30 day period.
- b) 150 kWh in a 30 day period in the case of large families meaning households with five or more people.

Indirect Taxes

Intermediate rate

The following will benefit from this rate:

- Juices, nectars and carbonated waters or waters containing carbon dioxide or other substances, when provided as part of restaurant services.
- A specific type of sausage (“alheira”) in animal or synthetic casings, made from bread, composed of meat or another type of filling, and
- Vegetable and edible oils.

Refund of VAT – Organization of events

Entities whose main activity code (“Código de Atividade Económica” or “CAE”) is 79110 – Travel agencies activities shall benefit from the simplified regime for the refund of VAT. This shall apply to expenses related with the organisation of congresses, fairs, exhibitions, seminars, conferences and similar events, under Article 21, no. 2, letter (d) of the VAT Code.

A rule of non-duplication of benefit is now foreseen in relation to the refund of VAT to these entities, according to which the refund is only applicable to the extent that the VAT incurred is not deductible or has not been refunded under another regime.

Excise Duties (IEC)

Excise duty on alcoholic and sugar-added non-alcoholic beverages (IABA)

Beer

A general increase of around 10% was introduced.

Sugar-added non-alcoholic beverages

A general increase of around 10% was introduced.

The rates are now the following, depending of the level of sugar and additional sweeteners:

- EUR 1.16 per hectoliter, if less than 25 grams per litre.
- EUR 6.95 per hectoliter, if ranging from 25 to 50 grams per litre.
- EUR 9.26 per hectoliter, if ranging from 50 to 80 grams per litre, and
- EUR 23.18 per hectoliter, if equal or higher than 80 grams per litre.

Concentrates (liquid and powder) incur in the same level of increase in taxation.

Spirit drinks

A general increase of around 10% was introduced.

This increase also applies to the rates in force in the Autonomous Region of Madeira.

Other fermented, still drinks and sparkling wines

A general increase of around 10% was introduced.

Tax on Oil and Energy Products (ISP)

There is an increase of the rates applicable to several products (fuel oil, gas, diesel, etc.) used in the production of electricity, electricity and heat (cogeneration) and city gas. This shall apply both to ISP and to the added CO₂.

New increases will apply to the following years, except on natural gas (NC 2711).

There is an increase on the taxation of certain products used in premises subject to energy consumption rationalisation agreements (“ARCE”). A rate corresponding to 65% (formerly, 30%) of the carbon rate applies.

Products classified by CN code 2707 99 99, consumed in the Autonomous Regions of the Azores and Madeira and used in the production of electricity, electricity and heat (cogeneration), or city gas, by entities that carry out these activities as their main activity, are now taxed at a rate corresponding to 75% of the ISP rate and at a rate corresponding to 75% of the additional rate on CO₂ emissions.

In 2024 there is no renewal of the temporary exemption applicable in Portugal mainland to products NC 2711 11 00 and 2711 21 00 used in the production of electricity, electricity and heat (cogeneration) or of city gas (that applied in 2023).

Indirect Taxes

Tax on Tobacco

There is an increase of the specific component for conventional cigarettes, heated tobacco and other smoking tobacco, snuff, chewing tobacco (around 35% in conventional cigarettes).

The ad valorem component for conventional cigarettes is set at 1% however it may change based on an automatic update system.

There is an amendment to the applicable total minimum tax of reference, that now considers the higher of the national or european average taxation.

The taxation of conventional cigarettes and other tobacco products tends to be harmonised.

Tax on Tobacco applies to liquids for electronic cigarettes, even without nicotine included.
The rate is EUR 0.175/ml.

Circulation Tax (IUC)

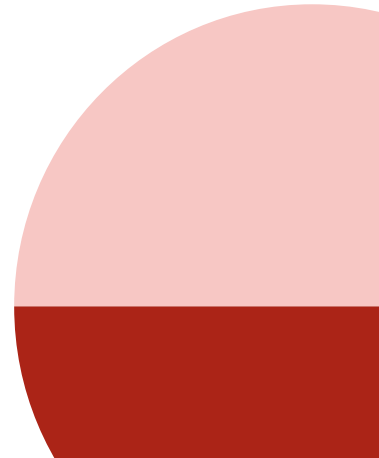
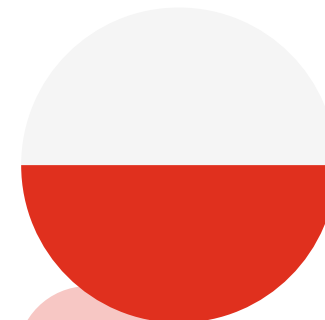
There is a general increase by 3% of the amount of IUC.

The additional IUC is maintained in force.

Tax on Vehicles (ISV)

There is a general increase by 5% of the tax rates, in the environmental and cylinder capacity components.

Vehicles under operational leasing (taxis, for State use and authority functions) are exempt from ISV provided that the lease agreement is presented (formerly, the law requires only that the vehicle's documentation includes the identification of the lessee).



4.

Real Estate Taxes



.....
The IMI exemption for properties built, expanded, refurbished, or acquired, when allocated to residential letting, applies only when the letting is for the tenant's permanent dwelling."
.....

Real Estate Tax (IMI)

Properties built, expanded, refurbished or acquired, intended for residential purposes

The IMI exemption for properties built, expanded, refurbished, or acquired, when allocated to residential letting, will only apply when the letting is for the tenant's permanent dwelling.

Residential leases concluded before the Urban Lease Regime

An IMI exemption will be provided for properties with residential lease agreements concluded before the Urban Lease Regime in case of tenants with an adjusted gross annual income (RABC) of less than five national minimum annual salaries (RMNA) or aged 65, or over, or disabled with a degree of incapacity equal to or greater than 60%.

The IMI exemption is granted during the period of the lease agreement.

Real Estate Transfer Tax (IMT)

Assessment of the IMT on the transfer of residential urban property

There is an update by 5% of the brackets for assessment of the IMT rate applicable to the transfer of urban property, or building units in urban property, exclusively for residential use.

As a result of this amendment, IMT is only due in the case of an acquisition of an urban property or building unit in an urban property, exclusively for permanent residential use, if the taxable basis exceeds EUR 101,917 (currently, EUR 97,064).



5.

Tax Benefits

“

Costs incurred with salaries resulting from the hiring of employees with a master degree or a PHD are eligible for the Tax Regime for Investment Support."

CIT – Extraordinary support to expenses with electricity and gas

Maintenance of the additional 20% deduction of the costs and losses incurred or borne with the consumption of electricity and natural gas, for the purposes of the assessment of the 2023 and 2024 taxable profit.

It is established that expenses and losses incurred by taxpayers who begin their activity in the tax period prior to the application of the regime must be proportional to the period of activity of the taxpayer in that year.

The deduction related with the 2023 and 2024 costs will not be considered for the purpose of the minimum tax assessment safeguard clause under Article 92 of the CIT Code. The same applies to the 2022 deduction.

CIT – Extraordinary support to costs incurred in agriculture

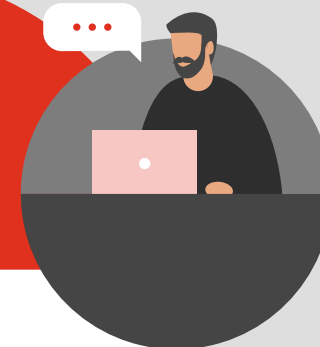
Maintenance of the additional 40% deduction of costs and losses incurred or borne with the acquisition of certain assets used in agricultural production activities, for the purposes of the assessment of the 2024 taxable profit.

It will be possible to carry forward for the ten following tax years the additional deduction that cannot apply in the 2024 tax year, given the minimum tax assessment safeguard clause foreseen in Article 92 of the CIT Code.

CIT – Contractual tax benefits to productive investment and Tax Regime for Investment Support (“Regime Fiscal de Apoio ao Investimento” or “RFAI”)

Salary costs incurred with the hiring of employees with a master degree or a PHD are now eligible. The jobs created shall be kept for a minimum five year period (three years in the case of small and medium sized companies).

For RFAI purposes and in the case of companies that do not qualify as micro, small or medium sized companies, salary costs and investment in intangibles cannot exceed 50% of the eligible expenses.



Tax Benefits

CIT – Tax incentive to wage increase (“Incentivo à Valorização Salarial”)

Salary increases will no longer need to be determined through a collective dynamic labour agreement instrument (“IRCT”). The minimum increase for 2024 shall be 5% (formerly, 5.1%).

The salary range shall be computed based on the ratio between the amount of the portion of the annual fixed salary of 10% of the employees with higher remunerations and 10% of the employees with lower remunerations, with reference to the total amount.

Costs incurred with board members shall be eligible. However employees that are part of the household of shareholders with qualified majority of the capital of the company are not eligible.

There will be a transitional period establishing that in the 2023 and 2024 tax years the concept of IRCT includes both the extension decree and the labour conditions decree.

CIT – Tax Regime of the Incentive to the Capitalization of Companies (“Incentivo à Capitalização das Empresas” or “ICE”)

The annual deduction shall result from applying a variable rate corresponding to the average 12 month Euribor rate in the tax year concerned, increased by a spread of 1.5 percentage points or 2 percentage points in the case of small and medium size companies and small medium capitalization companies (Small Mid Cap).

For the purpose of assessing the tax benefit, the amount corresponding to the eligible net increases in equity will include the tax year concerned as well as the six previous tax years (formerly, the tax year concerned and the nine previous tax years).

There is an additional deduction of 50%, 30% and 20% respectively in the 2024, 2025 and 2026 tax years.

CIT – Agreements and cooperation relations

An exemption from CIT shall apply to public entities that promote education, culture and science under international cooperation agreements. This requires that there is reciprocity duly certified by the competent foreign tax affairs Governmental body.

“.....

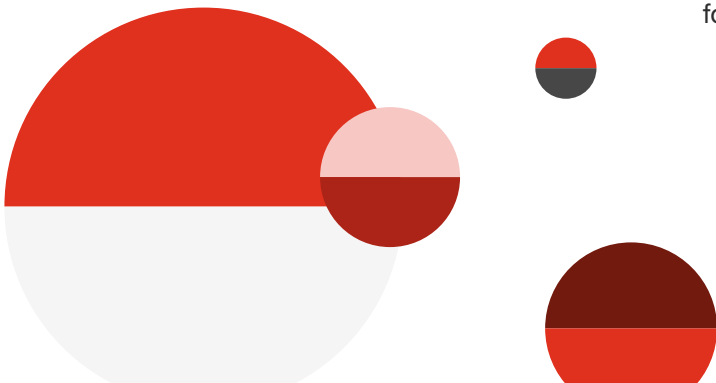
The Tax Regime of the Incentive to the Capitalization of Companies (“ICE”) shall be computed with reference to the 12 month Euribor rate increased by 1.5% (2% in the case of small and medium sized companies and small medium capitalization companies)."

.....

CIT – Tax incentive to the renewal of transport fleets

An exemption from CIT shall apply to the positive balance between capital gains and capital losses assessed in the 2024 tax year, derived from the transfer of certain freight vehicles acquired prior to 1 July 2021 whose first licence is prior to that date. The exemption requires the reinvestment in 2024 or 2025 of the full amount of the sales proceeds.

Eligible vehicles must be kept for five years.



Tax Benefits

IRC – Madeira International Business Center

The licensing date for entities in the Madeira International Business Center is extended until 31 December 2024 (previously, 31 December 2023).

The Madeira International Business Center regime is further extended until 31 December 2028 (previously, 31 December 2027).

IRC – Incentives for the sale of properties to the State

Gains arising from the sale of land for construction to the State, the Autonomous Regions, public business entities in the housing sector or local authorities are now exempt from CIT.

Extension

The following tax benefits included in the Tax Benefits Code are extended for one year, that otherwise would expire on 1 January 2024:

- Deductions related to partnerships of titles with social impact (Article 19-A).
- Tax incentives to forest activity (Article 59-D).
- Forest management entities and units (Article 59-G).
- Cinema and audiovisual production (Article 59-H).
- Electric solar and exclusively electric vessels (Article 59-J).

Capital gains realised by non residents

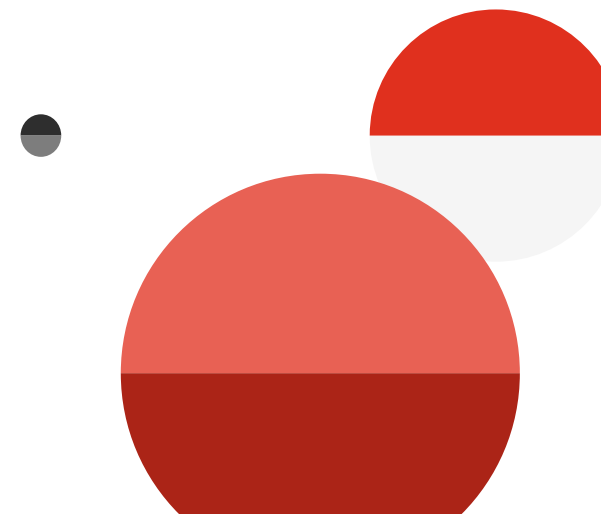
The benefit that provides for an exemption from taxation of capital gains realised by non-residents with the transfer of shares, other securities, autonomous warrants and derivatives in stock exchange markets is no longer subject to the general rule that foresees the term of tax benefits within five years.

Incentive for the scrapping of light vehicles

The incentive program for the scrapping of light vehicles is created, the monetary value of which, to be attributed by the Environmental Fund for each light vehicle scrapped, will be defined by order of the member of the Government responsible for the area of the environment and climate action.

Deduction of expenses for the acquisition or rental of musical instruments

In 2024, the Government will study solutions to allow education and training expenses to be considered as education and training expenses eligible for PIT deduction, the expenses for the acquisition or rental of musical instruments that constitute teaching material within the scope of attendance school of articulated, integrated or supplementary music education, professional instrumentalist course or higher education music course.



6.

Tax Justice

“

Pending judicial claims before the tax courts can be transferred towards tax arbitration.”

Transfer of pending judicial claims towards tax arbitration

There is now the possibility to transfer pending judicial claims before the tax courts towards tax arbitration.

Transfer admissibility conditions:

- Formalisation of the transfer request by 31 December 2024.
- The arbitration tax court shall be competent to issue a ruling on the case.
- The judicial claim shall be dependent on a decision at the first instance tax court, regardless of its value.
- The judicial claim was filed before 31 December 2021.

Consequences of the transfer:

- Extinction of the proceeding in the tax court.
- Maintenance of the proceeding's requests and legal grounds in the arbitration claim, without excluding the possibility of requesting the reduction of the claim value.
- Presentation of the proceeding certificate together with the arbitration claim.
- Possibility of revocation, ratification, reform or conversion of the tax assessment by the Portuguese Tax Authorities.

Withdrawal of the judicial claim

Taxpayers who withdraw the judicial claim benefit from the exceptional incentive regime for administrative and tax proceedings extinction as provided in Decree-Law 30/2023, of 30 May, including the reduction of the court fees.

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Tax Justice

Extension of appeal possibilities

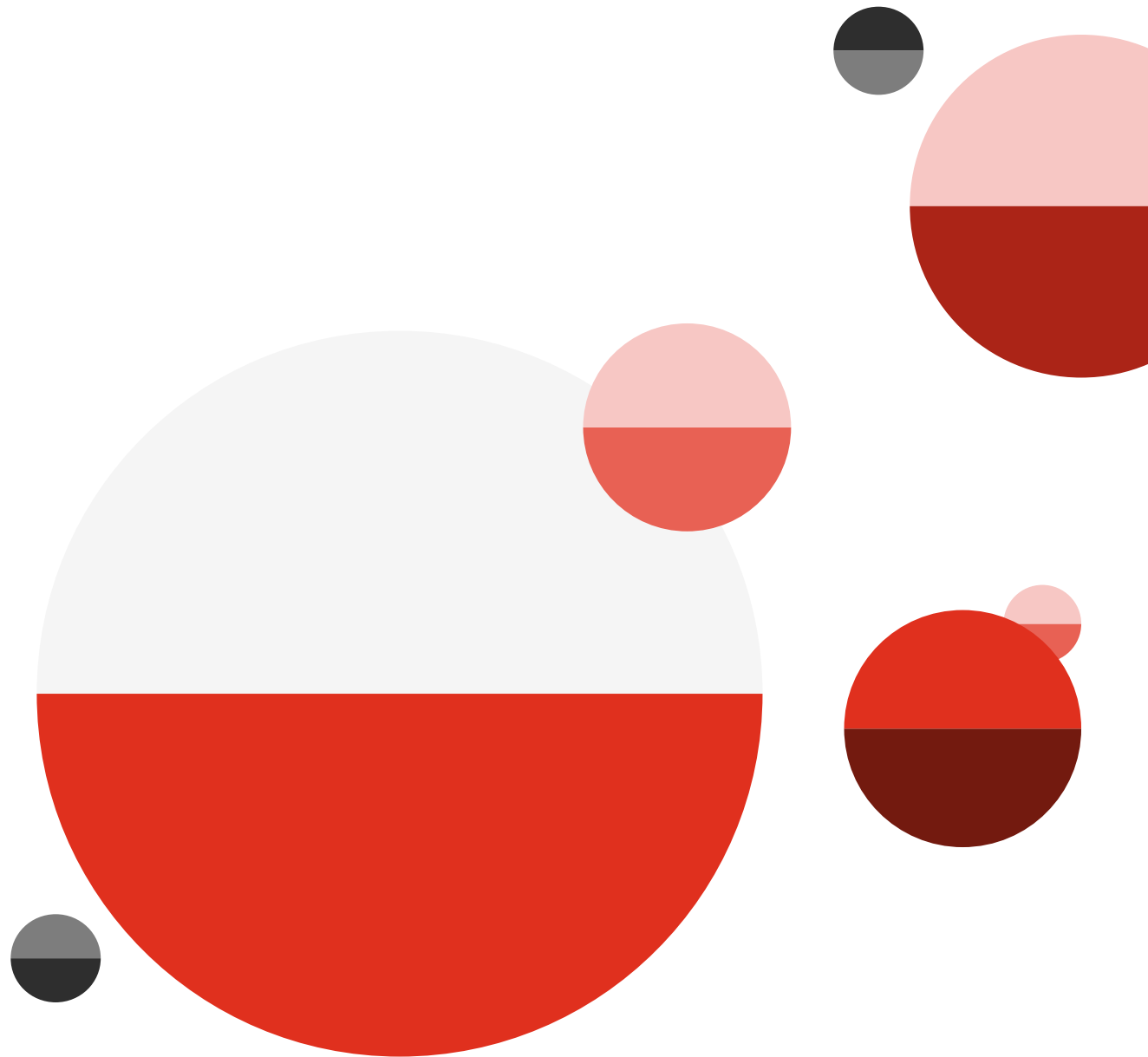
When the claim's value exceeds EUR 10,000,000, the arbitration decision is considered equivalent to a tax court's ruling and subject to appeal submission under the general terms of the Tax Procedure Code.

Reversal of the judicial claim extinction

In cases where the arbitration decision does not address the claim's merits, it is ex officio transferred by the arbitration court to the previously competent tax court, which will determine the reversal of the judicial claim extinction and the reopening of the proceeding as it was before the transfer.

Payments by electronic means

Payments made by companies to the tax authorities must be made exclusively electronically.



7.

Other taxes



Lightweight plastic bags are now taxed at EUR 0.04; single use packaging costs consumers a minimum of EUR 0.30 (plus VAT)."

Levies

Extraordinary Levy on the Energy Sector

The Extraordinary Levy on the Energy Sector ("Contribuição extraordinária sobre o setor energético" or "CESE") is maintained in 2024, being amended as follows:

- CESE applies to raw petroleum and petroleum products transport operators, that are part of economic groups of operators refining or storing crude oil or petroleum products.
- For the purposes of the computation of CESE, assets do not include those the Portuguese environmental agency ("Agência Portuguesa do Ambiente, I.P." or "APA") qualifies in certain categories of environmental impacts, under the European regime to promote sustainable investment, regarding assets acquired from January, 2024 onwards.

Levy on lightweight plastic bags

Lightweight plastic bags shall be taxed at EUR 0.04, per bag, in Portugal mainland, due by the ultimate buyer.

This will include bags acquired on the sale of bakery products and fresh fruits and vegetables.

Levy on single use plastic packages

Article 320 of Law 75-B/2020, of 31 December (2021 State Budget Law) and Decree 331-E/2021, of 31 December, is revoked in what concerns the levy on single use packages made of plastic, aluminium or a mix of plastic and aluminium. A broader levy is due in single use packages, including composed packages:

- On take away.
- Home delivery, and
- To store meals ready for consumption in the place of supply to the final consumer.

The levy is set at EUR 0.10 per package in Portugal mainland, and can be passed along the economic chain. However the final charge levy to the final consumer cannot be less than EUR 0.30 per package.



Other taxes

The packages fully recyclable, in monomaterial and incorporating, on average, at least 25% recycled materials, are exempt of this levy.

This is disallowed in the case of single use packages:

- That store meals ready for consumption but whose storage did not occur in the sales point.
- Made available in the supply of non sedentary restoration activities, and
- Made available in vending machines.

Audiovisual levy

There is no update on the monthly amounts of the audiovisual levy.

Bank levy

The bank levy is maintained.

Solidarity surcharge for the banking sector

The solidarity surcharge for the banking sector ("Adicional de Solidariedade Sobre o Setor Bancário") is maintained.

Pharmaceutical industry levy

The extraordinary pharmaceutical industry levy is maintained.

Extraordinary levy on suppliers of medical devices to the national health system

The extraordinary levy on suppliers of medical devices to the national health system is maintained.

Transitional provisions relating to tax obligations

Valuation of inventories

All taxpayers are exempt from the obligation to value inventories for the tax period beginning on or after 1 January 2023. Taxable persons who are not required to maintain a permanent inventory are also exempt from said obligation for the tax period beginning on or after 1 January 2024.

Invoices in PDF files

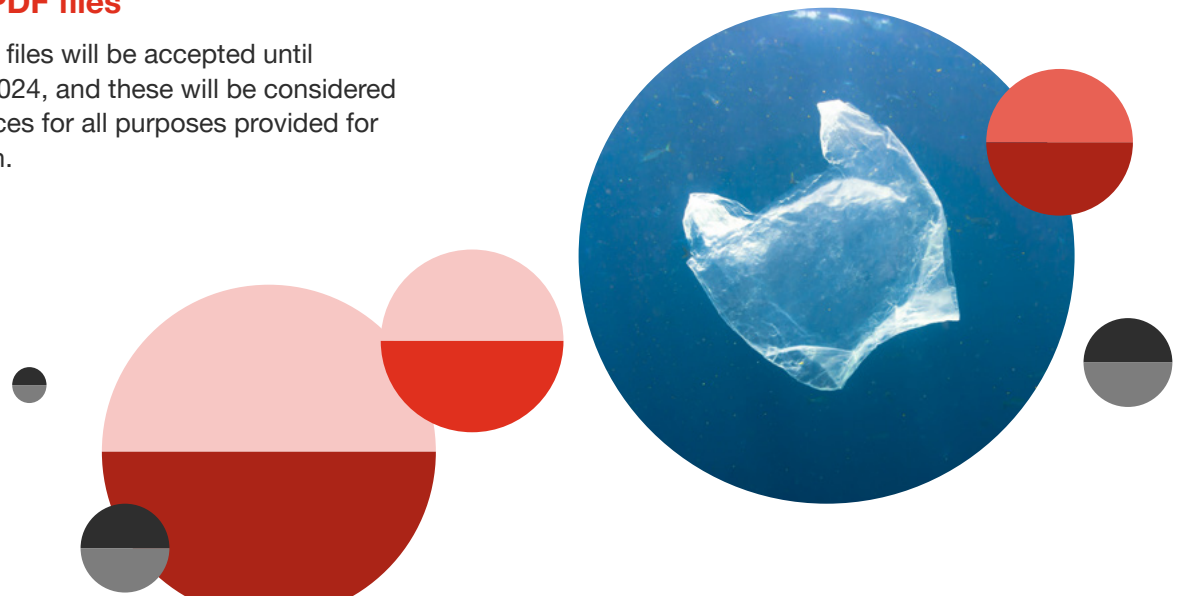
Invoices in PDF files will be accepted until 31 December 2024, and these will be considered electronic invoices for all purposes provided for in tax legislation.

Accounting SAF-T (PT) file

The submission of the SAF-T (PT) file relating to accounting will be applicable to the 2025 and subsequent periods, to be delivered in 2026 or subsequent periods.

General Waste Management Regime – Printing of invoices and other fiscally relevant documents

The prohibition on the printing and systematic distribution of receipts, provided for in the General Waste Management Regime, does not affect the printing of invoices and other fiscally relevant documents.



Other taxes

Stamp Tax

Fixing of installments on housing credit

An exemption is established for the tax levied on facts set out in Item 17.1 of the general table (use of credit) within the scope of operations to temporarily fix the installment and capitalize deferred amounts in the value of the housing credit. This measure applies to facts that occur as from the date of entry into force of the law establishing the fixation of benefits.

Banco Português de Fomento

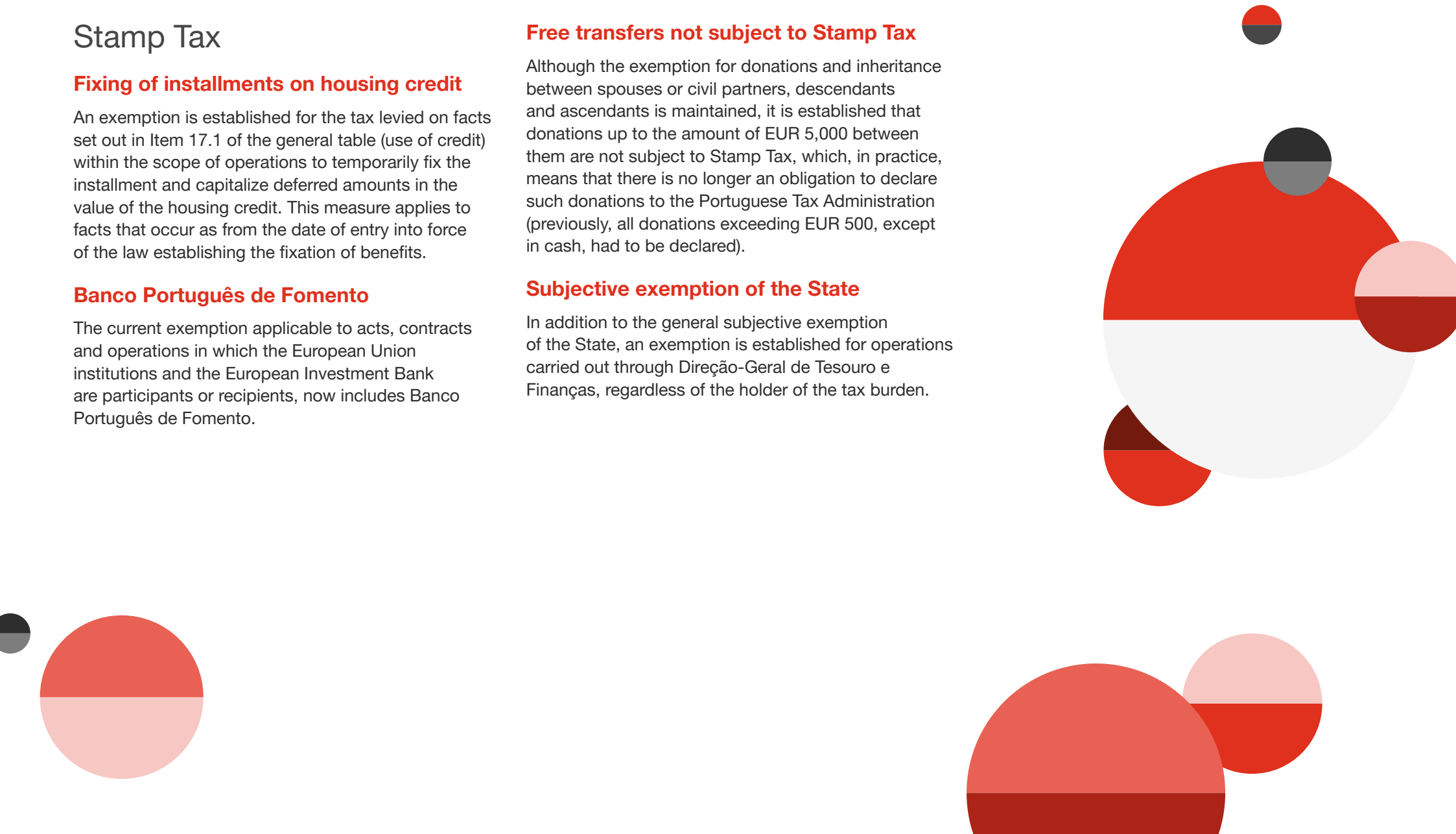
The current exemption applicable to acts, contracts and operations in which the European Union institutions and the European Investment Bank are participants or recipients, now includes Banco Português de Fomento.

Free transfers not subject to Stamp Tax

Although the exemption for donations and inheritance between spouses or civil partners, descendants and ascendants is maintained, it is established that donations up to the amount of EUR 5,000 between them are not subject to Stamp Tax, which, in practice, means that there is no longer an obligation to declare such donations to the Portuguese Tax Administration (previously, all donations exceeding EUR 500, except in cash, had to be declared).

Subjective exemption of the State

In addition to the general subjective exemption of the State, an exemption is established for operations carried out through Direção-Geral de Tesouro e Finanças, regardless of the holder of the tax burden.



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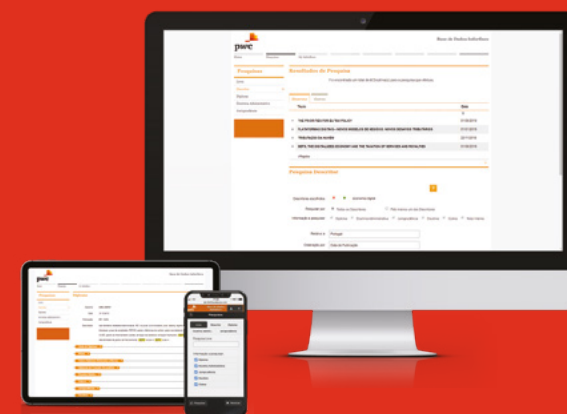
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