

A tax-free Budget Law?

2026 State Budget Law

January 2026

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Content

2026 State Budget Analysis of the Law

This document presents the tax measures of the Law,
impacting the lives of citizens and companies.

When in doubt, PwC explains.

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Personal Income Tax (PIT)

General rates

Update of the limits of the progressive Personal Income Tax (PIT) brackets by 3.51%, through the automatic mechanism provided by law, and a reduction of the rates for the 2nd to 5th brackets by 0.3 percentage points.

Thus, the general rate table becomes as follows:

Taxable Income (€)	Rate	Deduction (€)
Up to 8,342	12.50%	0,00
Above 8,342 up to 12,587	15.70%	266,94
Above 12,587 up to 17,838	21.20%	959,26
Above 17,838 up to 23,089	24.10%	1.476,45
Above 23,089 up to 29,397	31.10%	3.092,77
Above 29,397 up to 43,090	34.90%	4.209,94
Above 43,090 up to 46,566	43.10%	7.743,27
Above 46,566 up to 86,634	44.60%	8.441,48
Above 86,634	48.00%	11.387,17

Minimum subsistence level

The reference value for the minimum subsistence level is updated to reflect the increase in the minimum monthly wage.



Compensation and Allowances for Volunteer Firefighters

Extension of the PIT exemption to compensation and allowances related to voluntary activity, provided to firefighters by humanitarian associations, up to an annual maximum limit per firefighter of six times the Social Support Index (IAS). These compensations and allowances will now be exempt from PIT up to this limit.

Rapid Wear Professions – Deductions

Extension of deductions for taxpayers with rapid wear professions. Amounts spent on health insurance, personal accident insurance, and life insurance that exclusively cover risks of death, disability, sports injury, or retirement/complementary retirement due to old age are deductible, under the terms and limits set out in Article 27 of the PIT Code.

Deduction for Requesting an Invoice

It becomes deductible from PIT, for requesting an invoice, an amount corresponding to 15% of the VAT borne by any member of the household, appearing on invoices relating to:

- retail sale of books in specialised shops;
- theatre, music, dance, and other artistic and literary activities;
- operation of theatres and related activities;
- activities of libraries and archives;
- activities of museums; and
- activities of historical sites and monuments.



Tax Benefits



IRS and Social Security – Productivity Bonuses, Performance Bonuses, Profit-Sharing and Year-End Bonuses, Paid Voluntarily and Irregularly

The benefit relating to productivity bonuses, performance bonuses, profit-sharing and year-end bonuses, paid voluntarily and without regularity, is extended.

This benefit provides for an exemption from PIT and an exclusion from Social Security contributions, up to a limit of 6% of the annual basic remuneration, on amounts paid in 2026 to employees or members of statutory bodies, as productivity bonuses, performance bonuses, profit-sharing and year-end bonuses, provided they are paid voluntarily and without regularity.

This exemption only applies if the employer, in the year 2026, has implemented a salary increase eligible for the purposes of the tax incentive for salary enhancement.

Where applicable, explicit mention of compliance with these conditions must be included in the annual income statement provided to the employee by the employer.

The withholding tax rate to be applied to these amounts is the one corresponding to the monthly remuneration for dependent work in the month in which the payment or availability is made.

PIT and CIT – Regime Applicable to Entities Licensed in the Madeira Free Trade Zone from 1 January 2015

The Madeira Free Trade Zone regime is extended until 31 December 2033.

CIT – Tax incentive for wage increases ("Incentivo fiscal à valorização salarial")

The reference rate for meeting the two requirements regarding the increase of annual base remuneration is reduced from 4.7% to 4.6%.

Extension

With a view to its review within the framework of the assessment of tax benefits to be carried out in 2026, the following tax benefits provided for in Tax Benefits Code are extended until 31 December 2026:

- deductions relating to social impact bond partnerships (Art. 19-A);
- external loans and rental payments for imported equipment (Art. 28);
- financial services provided by public entities (Art. 29);
- swaps and loans from non-resident financial institutions (Art. 30);
- deposits with non-resident credit institutions (Art. 31);
- repo operations with non-resident financial institutions (Art. 32-C);
- managing entities of designations of origin and geographical indications (Art. 52);
- managing entities of integrated management systems for specific waste streams (Art. 53);
- sports, cultural and recreational clubs (Art. 54);
- associations and confederations (Art. 55);
- common lands (Art. 59);
- tax incentives for forestry activity (Art. 59-D);
- forest management entities and forest management units (Art. 59-G);
- deduction for the purposes of determining companies' taxable profit (Art. 62);
- deductions from personal income tax liability (Art. 63);
- VAT – gratuitous supplies of goods and services (Art. 64).

The extraordinary regime of support and expenses incurred in agricultural production is also extended until 31 December 2026.





Corporate Income Tax (CIT)

Autonomous Taxation

Plug-in hybrid passenger vehicles (which are subject to autonomous taxation rates of 2.5%, 7.5%, and 15%) now include vehicles approved under the “Euro 6e-bis” emissions standard, provided their official emissions are below 80 gCO₂/km.

The increased rate, aggravated by 10 percentage points, does not apply in the 2026 tax period when:

- the taxpayer has obtained taxable profit in one of the three preceding tax periods and has duly fulfilled the filing obligations relating to the submission of the Corporate Income Tax form Modelo 22 and the Company's Simplified Information form (IES) for the two previous tax periods; or
- or the 2026 tax period corresponds to the initial period of activity or to one of the two subsequent periods.

Additional Expenses Related to Teleworking

Expenses incurred in compensating employees for additional costs arising from the provision of work under a teleworking arrangement are considered at 110% of their value, when regarded as socially beneficial expenditures.





Indirect Taxes

VAT

Reduced Rate

The following now benefit from the reduced VAT rate:

- operations involving the transformation of olives into olive oil;
- game species, both big and small game;
- sales of works of art by registered dealers, under the Special Scheme for the Taxation of Second-Hand Goods, Works of Art, Collectors' Items and Antiques.

Exemptions

The scope of the VAT exemption applicable to the supply of tricycles, wheelchairs (with or without a motor), and passenger or mixed-use vehicles for the use of persons with disabilities is extended to also cover:

- public utility legal persons;
- non-profit sports associations and federations;

- private social solidarity institutions;
- cooperatives;
- associations of and for persons with disabilities.

The following exemptions are extended until 31 December 2026:

- fertilisers, soil improvers, soil correctives, and other products for feeding livestock, poultry, and other animals used in agricultural activities;
- dry or wet products intended for feeding companion animals sheltered by animal protection associations;
- food for companion animals purchased by animal welfare associations.

All these exemptions confer the right to deduction.

Excise Duties

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

The reduced IABA rate (applying only 25% of the tax) applicable to liqueurs and “crème de”, to distilled spirits and fruit spirits (in certain categories and with specific characteristics) is extended until 31 December 2026, provided they are manufactured exclusively from strawberry tree fruit and produced and distilled in the municipalities already provided for in the legislation in force.

Tobacco tax

“Nicotine pouches” will be taxed under the tobacco tax at a rate of € 0.065/g.

Tax on petroleum and energy products

Update of the minimum and maximum limits of ISP unit rates to be applied in the Autonomous Region of the Azores, with reductions for products such as petrol and diesel.

The level of taxation on natural gas used in Mainland Portugal to produce electricity, cogeneration or town gas, as a principal use, remains at 50% of the ISP rate and 50% of the surcharge on CO₂ emissions.

The reduced-taxation benefit on dyed diesel for vehicles used by forest firefighting teams integrated into the Integrated Rural Fire Management System is maintained.

The benefit applicable to small artisanal and coastal fishers, small aquaculture operators and sea-salt extraction companies is maintained, in the form of: subsidies on the number of litres of petrol consumed in their activity, equivalent to the reduction in the rate applicable to diesel consumed in fishing; and subsidies on liquefied petroleum gas (LPG) consumed in their activity, equivalent to the reduction in the rate applicable to diesel consumed in fishing.

IUC

Circulation Tax

The additional to the single vehicle tax (Adicional ao IUC – Imposto Único de Circulação) remain in force.

ISV

Vehicle Tax

Passenger cars equipped with plug-in hybrid engines, whose battery can be charged from the electricity grid and that have a minimum electric-mode range of 50 km, will no longer be taxed under the standard regime and will instead be taxed at an intermediate rate of 25%, provided they have official emissions below 80 gCO₂/km when type-approved under the “Euro 6e-bis” emissions standard.

Real Estate Taxes

IMT

Real Estate Transfer Tax

Determination of the IMT rate for the transfer of residential urban properties

The brackets for determining the IMT rate applicable to the transfer of urban properties, or individual units of urban properties, intended exclusively for housing, are updated by 2%.

As a result of this change, in the case of the acquisition of an urban property or an individual unit of an urban property intended exclusively as the buyer's own permanent residence, IMT is only payable if the value on which the tax is levied exceeds € 106,346 (previously € 104,261).

In the case of a first acquisition of a permanent residence by young people up to the age of 35, IMT is only payable if the value on which the tax is levied exceeds € 330,539 (previously € 324,058).

Exemption from IMT, Stamp Tax and fees in the case of the transfer of rural properties

Transfers of contiguous or adjoining rural properties, irrespective of their economic use, are exempt from IMT and Stamp Tax when intended for land consolidation operations.

This exemption is subject to prior recognition before the transfer, upon application by the interested parties to the competent authorities for decision.

An exemption from fees is also provided in respect of all acts and contracts necessary to carry out the said land consolidation operations, as well as the registration of all rights and encumbrances affecting the new rural properties resulting therefrom.



Others

Levies

Audiovisual contribution

The monthly amounts of the contribution are not updated.

Contribution on the banking sector

Remains in force.

Solidarity surcharge on the banking sector

Is repealed, following a recent decision of the Constitutional Court.

Contribution on the pharmaceutical industry

Remains in force.

Extraordinary contribution on suppliers to the National Health Service medical devices industry

Remains in force.

Extraordinary Contribution on the Energy Sector (CESE)

Concessionaires carrying out natural gas transmission, distribution or underground storage activities cease to be subject to this contribution, aligning the regime with recent decisions of the Constitutional Court.

Assets used in operating the electricity transmission and distribution network, acquired from January 2026 in new condition, constructed, or to the extent they are expanded, also cease to be included in the CESE tax base.

Tax Compliance

Valuation of inventories

An exemption from this obligation applies to:

- all taxpayers, in respect of tax years starting on or after 1 January 2025.
- taxpayers that are not required to maintain a perpetual inventory, in respect of tax years starting on or after 1 January 2026.



PDF Invoices

Until 31 December 2026, invoices in PDF format are accepted and are considered electronic invoices for all purposes under tax legislation.

SAF-T (PT) Accounting File

The obligation to submit the file applies to periods from 2027 onwards, to be delivered in 2028 or in subsequent periods.



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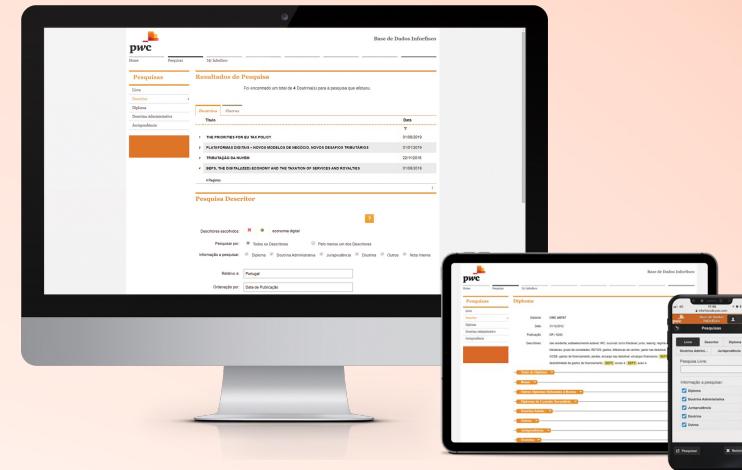
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