



Holding the line

2027 State Budget Proposal

October 2026
pwc.pt/statebudget



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2027 State Budget Analysis of the Law Proposal

This document presents the tax measures of the law proposal, as well as other ongoing initiatives that include tax measures, impacting the lives of citizens and companies.

At PwC, we anticipate what you need to know, so you can stay informed.

When in doubt, PwC explains.

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Rosa Areias

Tax Lead Partner at PwC

2027 State Budget

Analysis by Rosa Areias



Four major tax codes reach the end of the 2027 State Budget Proposal without a single amendment (CIRC, CIVA, CIS and CIMI). For businesses, the result is 4–0 to stability. This is a budget of continuity: it updates amounts, extends expiring regimes and adjusts percentages.

Dear readers,

Today, the Government submitted Draft Law No. 110/XVII/2 to the Assembly of the Republic. The draft law approves the State Budget for 2027 and is expected to enter into force on 1 January 2027. From a tax perspective, the proposed changes are minimal, which appears to reflect an effort to secure the proposal's approval in a sensitive political climate.

In October 2016, in Aveiro, Portugal beat Andorra 6–0, with Cristiano Ronaldo scoring four goals. Ten years later, also in early October, there is another four-goal haul to record, this time in taxation. Four major tax codes reach the end of the 2027 State Budget Proposal without a single amendment: the Corporate Income Tax Code (CIRC), the VAT Code (CIVA), the Stamp Tax Code (CIS) and the Municipal Property Tax Code (CIMI). For businesses, the result is 4–0 to stability.

Ronaldo's four goals that night have stayed in the memory. These four clean sheets will surely stay in ours, and in companies' budgets too.

This is, therefore, a budget of continuity. It updates amounts, extends regimes that were due to expire and adjusts percentages. The measure with the greatest impact is the update of the Personal Income Tax (PIT) brackets, which comes on top of the rate reduction already announced.

There is, however, an important caveat. The proposal has yet to be debated in Parliament and may still be amended. PwC Portugal will follow the final vote closely and report on whether the scoreline has changed. More to follow soon.

When in doubt, PwC explains.

Personal Income Tax (PIT)

01

Measures of the 2027 State Budget Proposal

“

New general and solidarity rate tables, a new housing incentive, an update of the minimum subsistence level and, for 2027, the renewal of the exemption for bonuses of up to 6% of annual base remuneration and of the “former residents” regime.



Personal Income Tax (PIT)

General rates

Proposal to update of the limits of the progressive Personal Income Tax (PIT) brackets by 3.88%, through the automatic mechanism provided by law.

Taxable Income (€)	Rate	Deduction (€)
Up to 8,666	12.20%	0.00
Above 8,666 up to 13,075	15.20%	259.98
Above 13,075 up to 18,530	20.70%	979.06
Above 18,530 up to 23,985	23.60%	1,516.50
Above 23,985 up to 30,538	30.60%	3,195.52
Above 30,538 up to 44,762	34.60%	4,417.02
Above 44,762 up to 48,373	43.10%	8,221.88
Above 48,373 up to 89,995	44.60%	8,947.07
Above 89,995	48.00%	12,007.13

Additional solidarity rate

Proposal to update of the brackets of the additional solidarity rate.

Taxable Income (€)	Standard rate (A)
Above 89,995 up to 250,000	2.5%
Above 250,000	5.0%



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Tax incentive for employee housing

Employment income in kind arising from the use of a permanent residence in Portugal provided by the employer, for the period from 1 January 2027 to 31 December 2027, becomes exempt from PIT and from Social Security contributions, under the Law Proposal.

The exemption applies up to the rent limits set out under the Rental Support Programme (“Programa de Apoio ao Arrendamento”), even if the properties are not included in that programme, and does not cover persons who hold, directly or indirectly, a stake of at least 10% of the share capital or voting rights of the employer.

Minimum subsistence level

The reference value for the minimum subsistence level becomes the higher of € 13,580 (previously € 12,880) and $1.5 \times 14 \times$ the Social Support Index (IAS).

“Former residents” regime

The 50% exclusion from taxation of employment income and business and professional income under the “former residents” regime shall be extended to taxpayers who become tax resident in 2027. This requires that they were not residente in Portugal in any of the five preceding years and were resident at some time before that period. The exclusion applies for five years.

As for those who became tax resident in 2024 or later, the exclusion is subject to a limit of € 250,000.

Productivity bonuses, performance bonuses, profit-sharing and year-end bonuses

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

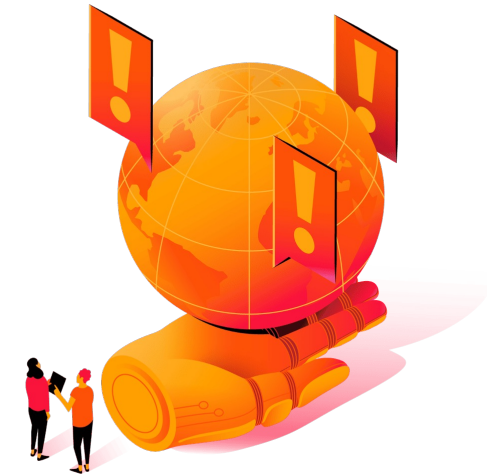
This benefit provides for an exemption from PIT, up to a limit of 6% of the annual base remuneration, on amounts paid or made available by the employer in 2027 to employees or members of statutory bodies as productivity bonuses, performance bonuses, profit-sharing and year-end bonuses, provided they are paid voluntarily and without regularity.

These amounts are also excluded from the Social Security contribution base.

This exemption only applies if the employer, in 2027, 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 employment remuneration in the month in which the payment is made or the amount is made available.



Corporate Income Tax (CIT)

Measures of the 2027 State Budget Proposal

Autonomous taxation

The 10 percentage point increase does not apply in the 2027 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 CIT (“Modelo 22”) and annual statement (“IES”) returns for the two preceding tax periods; or
- The 2027 tax period corresponds to the initial period of activity or to one of the two subsequent periods.

Tax incentive for employee housing

For the purposes of determining the taxable profit, CIT taxpayers holding properties built, acquired or converted to house employees who benefit from this incentive may apply a higher depreciation rate, of up to twice the rate set out in Regulatory Decree No. 25/2009 of 14 September.



Indirect Taxes

Measures of the 2027 State Budget Proposal

VAT

No amendments to the VAT Code are proposed.

The VAT exemption on supplies of goods for agricultural production (fertilisers, soil improvers, soil correctives and animal feed) and of food for companion animals sheltered by animal protection associations is extended until 31 December 2027.

ITax on alcohol (IABA)

Until 31 December 2027, the alcohol tax rate provided for in Article 76 of the Excise Duties Code (“Código dos IEC”) is set at 25% of the standard rate for spirits and liqueurs made exclusively from strawberry tree fruit and produced and distilled in the municipalities specified in the law, located namely in the Algarve, the interior of the Centro region and the Alentejo. This provision replicates the terms of the 2026 State Budget.



No rate increases for Excise Duties, Tax on Vehicles (ISV) and Circulation Tax (IUC).

Tax on Petroleum and Energy Products (ISP)

The regime for the gradual phase-out of harmful exemptions on petroleum and energy products is maintained on terms similar to those of the 2026 State Budget, with no changes to the applicable taxation percentages.

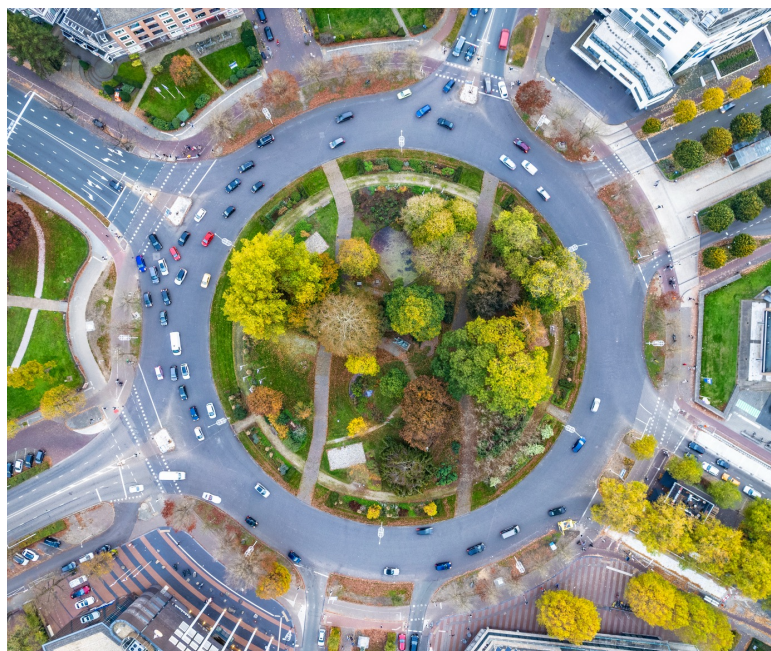
The subsidies for coloured and marked diesel and other fuels for farmers, aquaculture operators and fishers also remain unchanged.

The use of coloured and marked diesel by vehicles of forest firefighting teams integrated into the Integrated Rural Fire Management System (“Sistema de Gestão Integrada de Fogos Rurais”) is likewise preserved.

No reference is made to the provision in the 2026 State Budget on the use of coloured diesel by the extractive industry, which may raise doubts as to whether it will remain in force in 2027.

Single Circulation Tax (IUC)

The additional IUC charge provided for in Article 216 of Law No. 82-B/2014, of 31 December, applicable to diesel vehicles in categories A and B, remains in force. No amendments to the IUC Code are proposed.



Property Taxes

Measures of the 2027 State Budget Proposal

Determination of the Real Estate Transfer Tax (IMT) rate applicable to the transfer of urban residential properties

The brackets used to determine the IMT rate applicable to the transfer of urban properties, or autonomous units of urban properties, intended exclusively for residential purposes, are updated by 2.3%.

As a result of this amendment, on the acquisition of an urban property or autonomous unit intended exclusively for use as the acquirer's own permanent residence, IMT is only due where the taxable value exceeds € 108,792 (currently € 106,346). For the first acquisition of an own permanent residence by young people aged 35 or under, the threshold increases to € 338,141 (currently € 330,539).

Extension of the IMT and Stamp Tax exemptions on the consolidation of rural properties

The exemptions from registration fees, IMT and Stamp Tax applicable to land consolidation operations involving contiguous or adjoining rural properties are extended until 31 December 2027.

Stamp Tax

The exemption on the provision of guarantees in favour of the State, in the context of the recovery of claims and other financial assets of the State, is renewed.

Tax Benefits

Measures of the 2027 State Budget Proposal

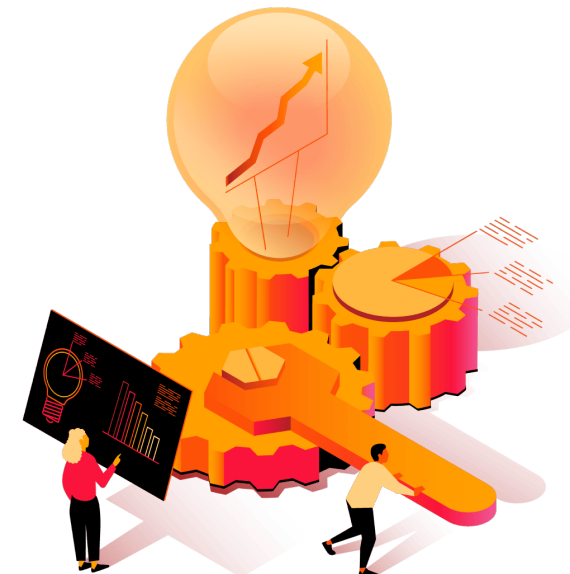
CIT – Tax incentive for salary enhancement

The reference rate for meeting the two requirements regarding the increase of annual base remuneration is reduced from 4.6% to 4.5%.

This benefit ceases to apply on 31 December 2027.

R&D (SIFIDE II)

SIFIDE II is extended to the 2027 financial year.



Extensions

The following are extended until 31 December 2027

- The extraordinary regime of support and expenses incurred in agricultural production.
- External loans and rental payments for imported equipment (Art. 28 of the Tax Benefits Code or EBF).
- Financial services provided by public entities (Art. 29 of the EBF).
- Swaps and loans from non-resident financial institutions (Art. 30 of the EBF).
- Deposits with non-resident credit institutions (Art. 31 of the EBF).
- Repo operations with non-resident financial institutions (Art. 32-C of the EBF).
- Managing entities of designations of origin and geographical indications (Art. 52 of the EBF).

- Managing entities of integrated management systems for specific waste streams (Art. 53 of the EBF).
- Sports, cultural and recreational clubs (Art. 54 of the EBF).
- Associations and confederations (Art. 55 of the EBF).
- Support measures for road passenger and freight transport (Art. 70 of the EBF).

Extensions

The following benefits are extended until 31 December 2031

- Urban properties undergoing renovation (Art. 45 of the EBF).
- Intellectual property (Art. 58 of the EBF).
- Common lands (Art. 59 of the EBF).
- Patronage (Arts. 61 to 66 of the EBF).



Other relevant measures

Measures of the 2027 State Budget Proposal

Valuation of inventories

The exemption from the obligation to value inventories, for the purposes of the communication provided for in Article 3-A of Decree-Law No. 198/2012, of 24 August, is renewed for:

- All taxpayers, in respect of tax periods starting on or after 1 January 2026;
- Taxpayers that are not required to maintain a perpetual inventory, in respect of tax periods starting on or after the entry into force of the law.

SAF-T (PT) Accounting File

The obligation to submit the file is postponed to periods from 2028 onwards, to be delivered in 2029 or in subsequent periods.

Invoicing

Until 31 December 2027, invoices in PDF format continue to be accepted and are considered electronic invoices for all purposes under tax legislation.

The exemption from the use of electronic invoicing in public contracts for micro, small and medium-sized enterprises and public contracting entities is extended until 31 December 2027.

Levies

Audiovisual contribution

The monthly amounts of the contribution are not updated.

Contribution on the banking sector

Remains in force.

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)

Remains in force.

Environmental levies

The levies provided for in Article 319 of Law No. 75-B/2020, of 31 December, are updated by 4%.

Contributory transparency measures

The possibility of publishing the list of Social Security debtors is maintained, on the same terms as those already provided for taxpayers with tax debts.

Social Security, the Portuguese public-sector pension institution (“Caixa Geral de Aposentações”) and the Tax and Customs Authority (“Autoridade Tributária e Aduaneira” or AT) will exchange information, namely on social benefits paid (including pensions, study and training grants, rent subsidies and other public housing support), on income reported in Annexes A, B, C, D, J and SS of the PIT return, and on income from sales of goods and services relevant to determining the contribution obligations of contracting entities.

The need for coordination between the AT and the Ministry of Labour, Solidarity and Social Security on the collection of debts owed by legal entities subject to Corporate Income Tax (CIT) that are in economic difficulty is once again reinforced, with provision for the exchange of the necessary information.



Contacts

Lisbon

Palácio Sottomayor
Avenida Fontes Pereira de Melo, n.º.16
1050-121 Lisboa

Phone: (+351) 213 599 000

Coimbra

Edifício Arnado
Rua João de Ruão, n.º 12, pisos 2 e 9
3000-229 Coimbra, Portugal

Phone: (+351) 213 599 000

Oporto

Porto Office Park
Avenida de Sidónio Pais, 153
4100-467 Porto

Phone: (+351) 225 433 000

Funchal

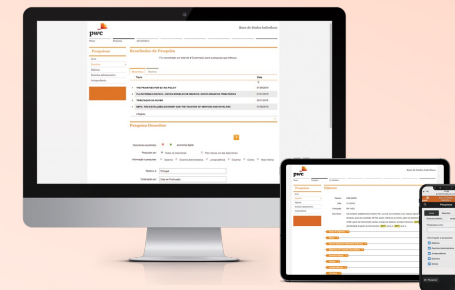
Galerias São Lourenço
Calçada São Lourenço, n.º 3 - 2.º D
9000-061 Funchal

Phone: (+351) 213 599 000

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