



***Tax incentives
for investment
in Portugal***

This document is meant to provide an overview of the main regimes of tax incentives for investment applicable to income taxes and real-estate taxes, in particular:

- Contractual benefits for productive investment, the tax regime for investment support (RFAI), the deduction of profits retained and reinvested (DLRR), the system of tax incentives for research and development (SIFIDE II) and the tax benefits for setting up businesses in inland areas, meant for legal persons;
- *Programa Semente*, the reduction of taxation of capital gains arising from the sale of shareholdings in micro and small enterprises and the regime for non-habitual residents, applicable to natural persons.

These tax benefits are meant to promote and support the investment in sectors deemed strategic for the economy, fostering sustainable growth, job creation and regional development; It is also the aim of this benefits to contribute to the strengthening of the capital structure of companies and to attract to Portugal natural persons engaged in high value-added activities or receiving income of intellectual or industrial property rights or know-how.

This interactive document is meant for guidance only and was prepared according to the information available at the time of writing. Considering the complexity of the matters, this leaflet aims only at providing general guidance and does not waive the consultation of the laws in force and the counselling with the competent authorities.



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1. CONTRACTUAL TAX BENEFITS FOR PRODUCTIVE INVESTMENT

Regime of tax benefits, on a contractual basis, with a period of validity of up to 10 years from the completion of the investment, for projects whose relevant investments are equal to or higher than € 3.000.000,00.



Legislation: [Articles 2 to 21](#) and [43 of Código Fiscal do Investimento \(Investment Tax Code\)](#); [Order n.º 282/2014, of 30 de December](#); [Order n.º 94/2015, of 23 March](#)

ENTITIES WHICH MAY QUALIFY FOR THE REGIME

Promoters of investment projects, legal persons complying with the following conditions:

- To have technical and managerial capacity;
- To reveal a balanced financial situation with a financial autonomy ratio equal or higher than 20%;
- To have organized accounting, besides the taxable profit must be assessed, not determined by indirect methods;
- The project must be funded with own resources or through external financing corresponding to at least 25% of the eligible expenditure;
- To have accomplished all obligations towards Tax and Customs Authority and Social Security;
- Not to be subject to an outstanding recovery order following a previous decision of the Commission declaring an aid illegal and incompatible with the internal market.

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ACCESS CONDITIONS

The investment projects must be connected with the following economic activities:

- Extractive and manufacturing industry;
- Lodging, restoration and similar activities, services relevant for tourism;
- Filmmaking, video and television programme production activities;
- Consulting, computer programming and connected activities; data processing activities, hosting and related activities and web portals;
- Administrative services and business support activities;
- Research and technological development activities.

Only investment projects with technical, economic and financial viability, promoting the creation or maintenance of jobs and complying with, at least, one of the following conditions are eligible:

- To be deemed relevant to the strategic development of the national economy;
- To be deemed relevant to the reduction of the regional asymmetries;
- To contribute to the boost of the technological innovation and of the national scientific research, to the improvement of the environment or to reinforcement of the competitiveness and of the productive efficiency.

TAX BENEFITS¹

Tax credit, determined through the application of a percentage, ranging from 10% to 25% of the relevant investments of the project effectively afforded, to be deducted from the amount of the Corporate Income Tax assessed;

Exemption or reduction of Municipal Tax on Real-Estate Ownership (IMI), Municipal Tax on Real-Estate Transactions (IMT) and Stamp Duty for buildings, acts or contracts needed and/or used in connection with relevant investments.

RELEVANT INVESTMENTS

Expenditure associated to investment projects and related to tangible fixed assets, with the exception of:

- Land not falling under extractive industry projects for the exploitation of mineral concessions, table and medicinal water, quarries, clay pits and sandpits;
- Buildings and other constructions not directly related to the production process or to essential administrative activities;
- Light-duty passenger or multi-purpose vehicles;
- Other transport equipment when exceeding 20% of the total amount of relevant investments;
- Furniture and comfort or decoration items, except hotel equipment assigned to tourism;
- Social amenities;
- Other investment goods, not assigned for the company operation, except production equipment for economic exploitation of the waste resulting from the production process or from the consumption in Portugal, provided that there is an environmental and industrial interest associated;
- Second-hand equipment and replacement investment.

Intangible assets, consisting of expenditure with the transfer of technology, namely through the acquisition of patent rights, licences, know-how or technical knowledge not protected by a patent (in case of large companies such placements shall not exceed 50% of the relevant investments).

The following investments, when carried out less than one year before the date of the application for tax benefits, are also eligible:

- Advance payments related to the project, up to 50% of the cost of each acquisition;
- Expenditure with studies directly linked to the investment project, accounted for as intangible assets.

1 - The overall amount of the benefits is subject to the limits laid down in the national map of regional aid.

2. TAX REGIME FOR INVESTMENT SUPPORT (RFAI)

The tax regime for investment support consists in a series of tax benefits upon income taxes and real-estate taxes.



Legislation: [Articles 22 to 26](#) and [43 of Código Fiscal do Investimento \(Investment Tax Code\)](#); [Order n.º 282/2014, of 30 December](#); [Order n.º 297/2015, of 21 September](#).

ENTITIES/SECTORS OF ACTIVITY WHICH MAY QUALIFY FOR THE REGIME

Legal persons engaged in an activity in the following sectors:

- Extractive industry;
- Manufacturing industry;
- Tourism;
- IT Activities and services;
- IT technologies and audiovisual and multimedia production;
- Activities of shared service centers;
- Defense, environment, energy and telecommunications.

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TAX BENEFITS²

Deduction of the following amounts to the Corporate Income Tax³ assessed:

- For investments carried out in the North, Centre, Alentejo, Autonomous Region of the Azores and Autonomous Region of Madeira, 25% of the relevant investments up to the amount of EUR 15.000.000,00, and 10% of the relevant investments, for the surplus;
- For investments in the regions of Algarve, and Lisbon and its surroundings, 10% of the relevant investments.

Exemption or reduction of Municipal Tax on Real-Estate Ownership (IMI), Municipal Tax on Real-Estate Transactions (IMT) and Stamp Duty for buildings, facts or acts linked with relevant investments.

ACCESS CONDITIONS⁴

To have organized accounting, besides the taxable profit must be assessed, not determined by indirect methods;

2 - The overall amount of the benefits is subject to the limits laid down in the national map of regional aid.

3 - This deduction cannot exceed 50% of the corporate income tax assessed, except in case of investments in the tax period of the commencement of activity and in the two tax periods ahead.

4 - And other cumulative conditions laid down in article 22 (4), of *Código Fiscal do Investimento* (Investment Tax Code).

To keep in the company, the investment goods:

- During a period of at least three years in the case of SMEs;
- During five years in the other cases;
- Where inferior, during their minimum period of useful life;
- Until when it is verified its exit of accounting, dismantling, abandonment or destruction.

To have accomplished all obligations towards Tax and Customs Authority and Social Security;

To provide the creation of jobs and their maintenance during the minimum period applicable to the investment goods;

RELEVANT INVESTMENTS

Concerning initial investments (Article 23 of *Código Fiscal do Investimento* (Investment Tax Code) and article 2 (2) (d) of Order n. 297/2015, of 21 September):

Tangible fixed assets, acquired new, with the exception of:

- Land (except when aimed at the exploitation of mining concessions, natural mineral water and water from headwaters, quarries, clay pits and sandpits, as investments in the extractive industry);
- Construction, acquisition, repair and extension of any buildings (except in case of plants or places for tourist activities, for audiovisual production or for administrative activities);
- Light-duty passenger or multi-purpose vehicles;
- Furniture and comfort or decoration items, except hotel equipment assigned to tourism;
- Social amenities;
- Other investment goods not assigned for the company operation.

Intangible assets, consisting of expenditure with the transfer of technology, namely through the acquisition of patent rights, licences or know-how (in case of large enterprises such applications shall not exceed 50% of the relevant investments).

3. DEDUCTION OF PROFITS RETAINED AND REINVESTED (DLRR)

Regime of tax incentives applicable to profits retained, whose reinvestment is deemed relevant.



Legislation: [Articles 27 to 34 of Código Fiscal do Investimento \(Investment Tax Code\)](#); [Order n.º 297/2015, of 21 September](#).

ENTITIES WHICH MAY QUALIFY FOR THE REGIME

Taxable persons liable to Corporate Income Tax, resident on the Portuguese territory and non-residents with a permanent establishment in this territory, whose main activity is carried out in the commercial, industrial or agricultural sector, with the exception of fisheries, aquaculture and primary production of agricultural products.

ACCESS CONDITIONS

- To be a micro, small or medium-sized enterprise;
- To have organized accounting, besides the taxable profit must be assessed, not determined by indirect methods;
- To have accomplished all obligations towards Tax and Customs Authority and Social Security.

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TAX BENEFITS

Deduction of the Corporate Income Tax assessed in the taxation periods starting on or after 1 January 2014 of up to 10% of the profits retained, used in reinvestments, within three years from the end of the tax period in which the profits were retained, up to the limit of 25% of the Corporate Income Tax;

The maximum amount of the profits retained and reinvested in each tax period is EUR 10.000.000,00 per taxable person.

For taxable persons considered micro and small enterprises it is allowed a deduction to the amount of the Corporate Income Tax up to the limit of 50% of the tax assessed.

RELEVANT INVESTMENTS

Tangible fixed assets, acquired new, with the exception of:

- Land (except when aimed at the exploitation of mining concessions, natural mineral water and water from headwaters, quarries, clay pits and sandpits, as projects of the extractive industry);
- Construction, acquisition, repair and extension of any buildings (except in case of plants or places for administrative activities);

- Light-duty passenger or multi-purpose vehicles, except when used by operators of public transport or when leased in the course of the normal activity of their owner, pleasure boats and tourism aircrafts;
- Comfort or decoration items, except hotel equipment assigned to tourism;
- Assets assigned to activities connected with concession agreements or with public-private partnerships concluded with entities of the public sector.

4. SYSTEM OF TAX INCENTIVES FOR RESEARCH AND BUSINESS DEVELOPMENT (SIFIDE II)

This is addressed to research and development activities, recognised as such by *Agência Nacional de Inovação, S. A.*, whereas:

- Research expenditure corresponds to costs of taxable persons liable to Corporate Income Tax with the acquisition of new scientific or technical knowledge;
- Development expenditure corresponds to costs of taxable persons liable to Corporate Income Tax with the exploitation of results from research or other scientific or technical knowledge for the discovery or substantial improvement of raw materials, products, services or manufacturing processes.



Legislation: [Articles 35 to 42 of Código Fiscal do Investimento \(Investment Tax Code\)](#);

ENTITIES WHICH MAY QUALIFY FOR THE REGIME

Taxable persons liable to Corporate Income Tax, resident on the Portuguese territory, whose main activity is carried out in the sectors of agriculture, industry, commerce and services, and non-residents with a permanent establishment in the territory, who have undertaken expenditure with research and development, and whose expertise in the research and development field has been recognized by *Agência Nacional de Inovação, S. A.*

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ACCESS CONDITIONS

- To have research and development expenditure not covered;
- The taxable profit must be assessed, not determined by indirect methods;
- To have accomplished all obligations towards Tax and Customs Authority and Social Security.

TAX BENEFITS

- Deduction of the Corporate Income Tax assessed, up to its sum, of the amount corresponding to the share of research and development expenditure which was not State financial contribution without return, carried out in the tax periods starting between 1 January 2014 and 31 December 2020, in a double percentage:
 - Basic Rate: Over the amount of total expenditure in research and development in the current year 32,5%;
 - Incremental Rate: 50% increase in expenditure compared with the average of the two preceding years (maximum of EUR 1.500.000,00).

For SMEs which have started business less than 2 years before and which have not benefited from the incremental rate, it is applied an increase of 15% to the basic rate (47.5%).

RELEVANT INVESTMENTS

- Acquisitions of tangible fixed assets, with the exception of land and buildings, if created or acquired new and directly assigned to the research and development activities;
- Expenditure with personnel with minimum educational attainment of level 4 of The National Qualifications Framework (NQF), directly involved in tasks of research and development;
- Expenditure with the participation in the management of research and development institutions of leaders and staff;
- Operating expenses, up to a maximum of 55 % of personnel expenditure with the minimum educational attainment of level 4 of the NFO, directly involved in tasks of research and development, booked as remunerations, wages or salaries of the taxable year;
- Expenditure with the hiring of research and development activities to public authorities, to entities benefiting from the status of public utility or to entities whose reputation in the area of research and development is recognized ([article 37 -A do Código Fiscal do Investimento](#)) ([Investment Tax Code](#));
- Participation in the capital of research and development institutions, in the capital of public or private investment funds whose purpose is the financing of companies principally engaged in research and development and carrying out recognized projects ([article 37-A of Código Fiscal do Investimento](#)) ([Investment Tax Code](#));
- Expenditure with the registration and maintenance of patents;
- Expenditure with the purchase of patents, mainly assigned to the performance of research and development activities (SMEs only);
- Expenditure with audits to research and development;
- Expenditure with demonstration projects that arise from research and development supported projects.

APPLICATIONS

The period for submitting the applications for SIFIDE II, addressed to *Agência Nacional de Inovação, S.A.*, runs until the end of the fifth month of the year following the taxable year.

5. SETTING UP BUSINESSES IN INLAND AREAS

This regime aims to encourage the setting up of companies in inland areas (identified in Order No 208/2017, of 13 July).



Legislation: [Article 41-B of Estatuto dos Benefícios Fiscais \(Tax Benefits Code\); Order n.º 208/2017, of 13 July.](#)

BENEFICIARIES

Micro, small or medium-sized enterprises, whose core business is agricultural, commercial, industrial or in the services sector in inland areas.

TAX BENEFIT ⁵

Rate of Corporate Income tax, 12.5%, applicable to the first EUR 15.000,00 of the tax base.

ACCESS CONDITIONS

- To carry out the activity and to have effective management in the beneficiary areas;
- Not to have salaries in arrears;
- The company cannot be the result of a division carried out in the two years preceding the reaping of the benefits;
- The determination of taxable profit must be carried out using the direct methods of assessment or under the simplified regime for determining the taxable amount.

5 - The tax benefit is subject to the EU rules on *minimis* aid and, as a general rule, the amount of incentives of fiscal nature and other non-fiscal incentives granted to a single company cannot exceed the amount of EUR 200.000,00 over three financial periods.

6. PROGRAMA SEMENTE (SEED PROGRAMME)

This regime aims at supporting investment of taxable persons liable to Personal Income Tax in the business capital of micro or small startups.



Legislation: [Article 43-A of Estatuto dos Benefícios Fiscais \(Tax Benefits Code\)](#)

WHO CAN QUALIFY FOR THE REGIME

Natural persons who carry out eligible investments outside the scope of business and professional income-generating activities.

TAX BENEFITS

Deduction of 25% of the investment expenditure deemed eligible, not exceeding EUR 100.000,00, up to a ceiling of 40% of the personal income tax assessed. The sums which exceed this limit may be deducted, under the same conditions, in the two subsequent tax periods.

Total or partial exclusion of taxation of the capital gain arising from the sale of shareholdings corresponding to eligible investments held for, at least, 48 months, in case of reinvestment in the same type of investments.

CONDITIONS

The regime applies to the contributions in cash effectively afforded in the acquisition of shareholdings in micro or small enterprises, settled up no more than 5 years before and which comply with the following conditions:

- To have up to 20 employees maximum;
- Not to hold assets and rights over immovable property whose value exceeds EUR 200.000,00;
- Not to be quoted on a regulated or not regulated stock exchange market;
- To have accomplished all obligations towards Tax and Customs Authority and Social Security;
- To be certified by *Rede Nacional de Incubadoras* (National Network of Incubators).

ELIGIBLE INVESTMENTS

Eligible investments are those in which the contributions in cash are effectively spent in the acquisition of shareholdings, which comply with the following conditions:

- To exceed the amount of EUR 10.000,00 per company;
- The shareholding held by the underwriter, after the subscription and during the subsequent three years, cannot correspond to more than 30% of the capital or of the voting rights of the company and must be kept for a period of at least 48 months;

- The share of capital and voting rights held by the companies and other legal persons, either on the date of the subscription, either in the three previous years must be less than 50%;
- The contributions in cash must be effectively applied until the end of the third tax period after the subscription, in the purchase of intangible assets and tangible fixed assets (except for land, buildings, Light-duty passenger or multi-purpose vehicles, furniture and social amenities) or in research and development.

7. CAPITAL GAINS ARISING FROM THE SALE OF SHAREHOLDINGS IN MICRO AND SMALL ENTERPRISES

This benefit aims at encouraging investment by natural persons in micro and small enterprises.



Legislation: [Article 43, n.º 3, of Código do Imposto sobre o Rendimento das Pessoas Singulares \(Code of Personal Income Tax\)](#)

WHO CAN QUALIFY FOR THE REGIME

Natural persons acquiring shareholdings, outside the scope of business and professional income-generating activities.

TAX BENEFITS

50% reduction in taxation of the positive balance between capital gains and capital losses in the transaction of shareholdings in micro and small enterprises not quoted on regulated or not regulated stock exchange markets.

8. TAX REGIME FOR NON-HABITUAL RESIDENTS

The tax regime for non-habitual residents aims at attracting to Portugal non-residents engaged in high value-added activities or receiving income from intellectual or industrial property rights or know-how, as well as beneficiaries of pensions obtained abroad. It is applied for a period of 10 consecutive years.



Legislation: [Articles 16, 72 and 81 of Código do IRS \(Code of Personal Income Tax\)](#); [Order n.º 12/2010, of 7 January](#); and [information leaflet available on the Portal das Finanças](#).

WHO CAN QUALIFY FOR THE REGIME

The tax regime for non-habitual residents is applicable to natural persons who comply with the following conditions:

- To have tax domicile on the Portuguese territory in the year of the beginning of taxation under this regime; and
- Not to be considered resident on the Portuguese territory in any of the previous five years; and also
- To request the registration with the regime, electronically, via *Portal das Finanças* (no later than 31 March of the year following the one in which they become resident in the Portuguese territory).

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BENEFITS

INCOME OBTAINED IN PORTUGAL

Taxation at the special rate of 20% of income from employment (category A) and professional and business income (category B), earned in high value-added activities, with a scientific, technical or artistic nature (identified in [Order No 12/2010, of 7 January](#)).

FOREIGN SOURCE INCOME

The foreign source income is exempted, in the following terms:

Income from employment (category A), provided that any of the following conditions are met:

- The income must be taxed in the other contracting State in accordance with the convention to eliminate double taxation concluded by Portugal with that State, or;
- The income must be taxed in the other country, territory or region, when there is no convention, provided that the income, in accordance with the criteria set out in [Article 18 of Código do IRS \(Code of Personal Income Tax\)](#), is not considered to be obtained in the Portuguese territory.

Income of Category B, connected with high value-added activities of scientific, technical or artistic nature or from intellectual or industrial property, or even earned for providing information relating to experience in the industrial, commercial or scientific domains, as well as of category E (capital), F (immovable property), G (gains), when any of the following conditions are met:

- Tax payers might be taxed in the other contracting State, in accordance with the convention to eliminate double taxation concluded by Portugal with that State;
- Taxpayers might be taxed in the other country, territory or region, in accordance with the Model Tax Convention on Income and on property of OECD since it does not appear on the list approved in [Order No 150/2004 of 13 February](#) (list of tax havens), and the income must not be regarded as obtained on the Portuguese territory, according to the criteria laid down in [Article 18 \(1\) of Código do IRS \(Code of Personal Income Tax\)](#).

Income from pensions (category H), when any of the following conditions are met:

- The income must be taxed in the other contracting State in accordance with the convention to eliminate double taxation concluded by Portugal with that State, or;
- The income, in accordance with the criteria set out in [Article 18 of Código do IRS \(Code of Personal Income Tax\)](#) is not considered to be obtained in the Portuguese territory.



OTHER INFORMATION

Read more at *Portal das Finanças* (www.portaldasfinancas.gov.pt):

- [Tax calendar](#);
- [Information leaflets](#);
- [Tax System in Portugal](#) page;
- [Frequently Asked Questions \(FAQ\)](#).

CONTACTS

- Tax and Customs [Call Centre \(CAT\)](#) may be contacted, through no. 217 206 707, every working day from 9:00 a.m. to 7:00 p.m.
- Electronic attendance service [e-balcão](#), at *Portal das Finanças*
- Go to a local tax office [Serviço de Finanças](#) (choose by appointment service).