

## Taxes on Personal and Corporate Income - IRS e IRC

### IRS

- **Real estate allocated to the taxpayer's professional activity** – The capital gains resulting from the reallocation of real estate to the taxpayer's private ownership are excluded from taxation under IRS, provided that they generate real estate income during the following five years.
- **Local Accommodation / Containment Area – Simplified regime** – Income from short-term rental type operations when properties located in "containment areas" are concerned, is considered in 50% of its value (instead of the previous 35%).
- **IRS table** – The limits of the brackets of the general IRS rates table are updated by 0.3%, keeping the applicable rates unchanged.
- **NHR – Pension Income** – Non-habitual residents will now be taxed at the rate of 10% on net pension income not earned in Portugal. However, the revocation of the previous exclusion from IRS taxation does not affect non-habitual residents who, on the date of entry into force of this law (1 April, 2020), are already registered under the NHR regime, or whose application for registration has already been submitted, as well as taxable persons who, on the 1<sup>st</sup> of April, 2020, are considered to be tax residents in Portugal and apply for registration until 31 March, 2021.
- **Income from dependent employment of young people aged between 18 and 26 years** – Employment income earned by young people aged between 18 and 26 years is partially exempt if totaling €25 075 per annum or less;
- **Large families** – For families with 2 or more dependents, the deduction applicable for the 2<sup>nd</sup> dependent under the age of 3 increases to **€ 900** (previously, € 726).

### IRC

- **Travel passes** – Expenses incurred with the acquisition of travel passes for the company's staff will now be increased by 130%;
- **SMEs** – The reduced rate of 17%, or of 12.5% if the activity is carried out in inland areas, will now apply to the first € 25.000 (previously, € 15.000).
- **Local Accommodation / Containment Area – Simplified regime** – The coefficient for income from the operation of short-term rental in containment areas, will be increased to 0.50 from 0.35;
- **Autonomous taxation** – Modification of the first two autonomous tax brackets in the charges for light vehicles and motorcycles, with a rate of 10% to those with an acquisition cost of up to € 27.500 and a rate of 27.5% to those with an acquisition cost between € 27.500 and € 35.000. In the case of light passenger vehicles powered by GNV, the referred rates are of 7.5% and 15%, respectively. Regarding vehicles with an acquisition cost of € 35.000 or more, the rate is of 27.5%.

## Value Added Tax

### VAT

- **Expenses for electricity used in plug-in, electric or hybrid vehicles**– VAT is now deductible.
- **Exemption scheme** – Taxable persons who do not have organized accounts and who have met other requirements will now benefit from the VAT exemption scheme, as long as, in the previous calendar year, they did not achieve a turnover of € 12.500 (€ 11.000 in 2020), instead of the previous limit of € 10.000.
- **Doubtful credits** – Defaulted credits for more than 12 months, instead of the current 24 months, are considered doubtful debt. For the purposes of settlement in favour of the taxpayer, the required documentary certification may be carried out by an independent certified accountant, in situations where the tax settlement does not exceed € 10.000 per period declaration.

## Tax Benefits

- **Concept of "rehabilitation actions"** – The relevant period for execution of works for the purposes of compliance with the relevant is extended to 4 years (instead of 2).
- **Restructuring operations** – The exemption of IMT, IS and emoluments, within the scope of restructuring operations or cooperation agreements, is extended to any entity, including Collective Investment Schemes, not being limited to public and cooperative companies and firms.

## Tax Benefits (cont.)

### TAX INVESTMENT CODE

- **DLRR** – The IRC deduction of up to 10% of the retained earnings that are reinvested in relevant applications under the law will have a period of 4 years (instead of 3). The maximum reinvestment amount is also increased from € 10.000.000 to € 12.000.000.
- **SIFIDE** – Extension until 2025. Clarifications and amendments on contributions to investment funds intended to finance companies dedicated mainly to R&D.

## Taxes on Property

### IMI

- **IMI exemption – Residents in homes and with relatives** – The IMI taxpayer who is residing in a retirement home, in a health institution or in the tax domicile of a family member (who is a relative in a straight line and collateral line, up to the fourth degree), on December 31 of the year in which the tax is paid, may be exempt from IMI in the case where proof is given to the Tax Authorities that the urban building in question previously constituted his/her own permanent dwelling.
- **Aggravated rate – Vacant Buildings** – The IMI rate for urban buildings that have been vacant for more than 2 years, buildings in ruins and building land with fitness for housing use, when located in areas of urban pressure, may be increased six times, aggravated, in each subsequent year, by a further 10%, with a maximum limit of 12 times the IMI rate applicable in general terms.

### IS

- **Financial operations** – The IS exemption applicable for financial operations, for a period not exceeding one year, intended to **cover cash flow**, is limited to loans and respective interest.
- **Cash Pooling** – Automization of the IS exemption for loans, including interest, for a period not exceeding one year, when granted by companies, within the scope of a centralised cash management contract, in favour of companies with which they are in a control or group relationship.

### IMT

- **New maximum rate** – A new maximum IMT rate of 7.5% is applicable to the acquisition of urban buildings or autonomous fractions of urban buildings destined exclusively for housing with a value higher than € 1.000.000;
- **Acquisition of property by credit institutions** – The IMT exemption applicable to the acquisition of property by credit institutions and commercial companies controlled by them, within the scope of, among others, execution proceedings, bankruptcy, insolvency or transfer in lieu, ceases to apply if such property is sold to entities with special relationships, even if the sale occurs within five years.
- **Property rights of limited duration** - In the constitution of a right over a property of certain duration, such as a lifelong usufruct, over an urban building or autonomous fraction destined exclusively for housing, the IMT will be levied on the value of the collateral.

## Other Tax Provisions

### ISV / IUC

- **Rate update** – As a general rule, increase of 0.3%.
- **Exemption from IUC in vehicles considered museum pieces** – It will now depend on an antique age of more than 30 years (instead of 20 years). The scope of this exemption is extended to vehicles with more than 30 years, considered of historical interest by the competent entities and only occasionally used, without making annual trips exceeding 500km.

### GOLDEN VISA

- A Legislative authorization was approved, allowing the Government to change the legal regime of Residence Authorizations for Investment (Golden Visa), as far as real estate investment is concerned, limiting it to the territory of the Intermunicipal Communities of the interior, Madeira and the Azores. Under this legislative authorization the Government may also increase the value of the other qualifying investments.