
A consolidation of tax measures

2019 State Budget Law proposal





2019 State Budget

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A consolidation of tax measures

2019 State Budget



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The State Budget proposal consolidates the existing and extreme tax pressure on families and corporations, in a year where one would expect a reduction of taxes.

The good news is only the legislative authorizations on measures related mainly to inland regions (increase of the additional deduction in case of reinvestment of retained earnings) and forest resources.

For now, the expected changes to the taxation of real estate will not be enacted. This is regardless of a possible increase of the Property Tax on vacant buildings located in urban pressure areas. Also not enacted is the widening of Personal Income Tax brackets, leading to the reduction of the current hyper progressivity.

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Corporations

The good news for companies are the reinforcement of the regimes investment support (Regime Fiscal de Apoio ao Investimento) and reinvestment of retained earnings (Dedução de Lucros Retidos e Reinvestidos).

Companies located in inland regions may reduce their Corporate Income Tax burden by deducting 20% of the costs with employees. However, this benefit is subject to the approval of the European Commission. Following the recent revocation of the tax incentive for job creation (with a history of 20 years contributing to the creation of permanent jobs), in a way the outcome is trading certainty for uncertainty.

Once again, there is an increase of the rates of autonomous taxation on costs with company's cars. Such increase could justify replacing autonomous taxation for Personal Income Tax on the use of company's cars for private purposes.

The effective tax rate will increase because of the new limitations on the deduction of impairment losses on doubtful debts. In 2019, impairment losses of debts of sister companies, or companies held by the same shareholders (directly or indirectly, in more than 10%), shall be disallowed as a tax deductible cost. It is also disallowed as a tax deductible cost the amortization of intangibles acquired from related parties. It is expected that this limitation applies only to assets acquired from 2019 onwards (excluding the existing ones), base on a tax assumption (the respective tax amortization).

On the other hand, sectorial, selective and discriminatory contributions, are maintained. The respective acceptance has been based on its transitory nature. In addition, two new contributions will be enacted: conservation of forest resources and civil defense (municipal contribution).

Lastly, there are no changes to the transfer pricing rules. The transposition of the anti-tax avoidance directive is not (yet) foreseen.

“There is an implicit increase of the Personal Income Tax for families because of the maintenance of the current income brackets and deductions.”

Families

There is an implicit increase of the Personal Income Tax for families because of the maintenance of the current income brackets and deductions.

The portion of the family budget allocated to the State shall increase because of the increase of numerous taxes: autonomous taxation on vehicles, light plastic bags, sugar drinks (except beverages with a lower level of sugar), consumption credit, taxation of vehicles and fuel, apart from the usual taxes on additions (cigarettes and alcoholic drinks).

Former residents may obtain real advantages. A relief of 50% of taxation of income derived from employment and self-employment is available, for five years, for former residents that return to Portugal and have been resident herein prior to 31 December 2015.

Further clarification is required, to confirm whether this reduction also includes the additional solidarity rate. This option should be carefully analysed, since the special tax regime for non-habitual residents (applicable for ten years) may be more beneficial.

The deadline for filing the Personal Income Tax return is postponed to June. This option may not be advisable, since as a rule it will delay the refund on any Personal Income Tax withheld in excess.

Lastly, the reduction with immediate effects of the VAT rate on the contracted power was also not enacted, which could slightly reduce energy costs. This is a mere possibility given by a legislative authorization. Another legislative authorization covers a possible taxation of beverages at the intermediate VAT rate.



2019 State Budget **Law proposal**



Personal Income Tax and Social Security



Personal Income Tax (PIT)

Business and professional income

Organised Accounting

It is proposed to increase to 15% (currently, 10%) the autonomous taxation rate on representation expenses and expenses with passenger and mixed used vehicles and motorcycles with an acquisition cost lower than € 20,000. In the case of vehicles with an acquisition cost higher than € 20,000, it is proposed that the rate increases from 20% to 25%.

Simplified tax regime

It is proposed that, upon submission of the annual tax return, taxpayers may have the possibility to correct the amounts included in the e-invoice system in respect of expenses with personnel, rents and other expenses with the acquisition of goods and services necessary for the exercise of their professional activity.

However, for the 2018 tax year, it will not be possible to claim these amounts already, in March, if the taxpayer detects that the values in the e-invoice portal are not correct.

Tax deductions

Assessment of the tax deductions

The Portuguese Tax Authorities (PTA) shall assess the amount of the PIT deductions based on the invoices that were communicated until 25 February (previously, 15 February) of the year following the year in which the invoices were issued. The PTA shall make available at their website, until 15 March, the total annual amount of deductions assessed.

Taxpayers may present a claim against the amount of the income tax deductions determined by the Portuguese Tax Authorities by no later than 31 March of the year following the one in which the invoices were issued (previously, 15 March).

Amendments to tax deductions

The transitory regime that allows the taxpayer to change, upon preparation of its annual tax returns, the amount of health expenses, education expenses, expenses with rents and retirement homes expenses, shall be maintained.

Unlike the previous year, in 2018 it will not be possible for the taxpayer to claim against the amounts disclosed in the e-invoice portal already in March, if those amounts are not correct.

Training and education expenses

The amount of the education and training expenses incurred by students attending education institutions located in inland regions, as identified in Ordinance number 208/2017 of 13 July, shall be increased by 10%.

In addition, the overall cap of the tax deduction for education and training expenses shall be increased from € 800 to € 1,000, if the difference relates to the above expenses.

Permanent housing expenses

The limit of the tax deduction for expenses incurred with permanent residences is increased from € 502 to € 1,000, if such expenses result from the transfer of the taxpayer's permanent residence to an inland region, as identified in Ordinance number 208/2017 of 13 July.

The aforementioned limit of € 1,000 is applicable for three years, counted (and including) from the one in which the rental agreement is concluded.

The expenses consist of the amounts of the rents paid for permanent housing, net of official allowances or subsidies, relating to rental agreements signed under the “Regime do Arrendamento Urbano” (RAU) or the “Novo Regime do Arrendamento Urbano” (NRAU).

Non residents

Employment and self-employment income obtained by non-residents

It is proposed that the employment income and self-employment income earned by non-residents, which monthly value does not exceed the national minimum wage, is not subject to a final withholding tax rate provided that they derive from a single entity.

In order not to impose withholding tax the beneficiary of the income shall be required to issue a statement to the paying entity, stating that he/she did not receive the same type of income from other Portuguese tax resident entities or permanent establishments in Portugal of non-resident entities.

Currently, this type of income earned by non-residents is taxed at the rate of 25% regardless of their value and of the paying entities.

The rate of 25% shall apply when the employment or self-employment income arises from work provided to more than one entity and to the part of the income, which exceeds the value of the national minimum wage.

Withholding taxes

Autonomous withholding taxes on remuneration for supplementary work and in respect of previous years

It is envisaged that, similarly to tax treatment given to the holiday and Christmas allowances, the remuneration for supplementary work and the remuneration in respect of years prior to those when it is paid or made available, shall be subject to withholding taxes at an autonomous rate.

Namely, these shall not be added of any other income earned in the month in question for the purposes of determining the withholding tax rate to be applied.

To that end, it is established that, when remuneration is paid for additional work, the withholding rate to be applied is that corresponding to the other income earned in the month in question, i.e. without consideration of the said remuneration for additional work.

Regarding the remunerations of previous years, it is foreseen that, for the purposes of determining the applicable withholding rate, the amount shall be divided by the sum of the number of months to which they relate, the rate thus determined being applied to the total remuneration.

Finally, it is also established that, when holiday and Christmas allowances due in respect of previous years are paid or made available, the tax to be withheld is made independently for each year in respect of which the allowances are paid.

“It is envisaged that, similarly to tax treatment given to the holiday and Christmas allowances, the remuneration for supplementary work and the remuneration in respect of years prior to those when it is paid or made available, shall be subject to withholding taxes at an autonomous rate.”



“It is proposed that the tax benefits currently applicable to the public capitalization regime are extended to contributions made by employers in the name and for the benefit of their employees.”

“It is proposed a new tax regime to encourage the return of emigrants to Portugal, which consists of a 50% relief from taxation of employment or self-employment income received after their return to Portugal.”

Tax regime for former tax residents

It is proposed a new tax regime to encourage the return of emigrants to Portugal, which consists of a 50% relief from taxation of employment or self-employment income received after their return to Portugal. Emigrants who return to Portugal in 2019 or 2020, becoming Portuguese tax residents in those years have access to this regime provided that they:

- did not qualify as tax residents during the three years prior to their return;
- qualified as tax residents in Portugal prior to 31 December 2015;
- have their tax situation regularized;
- did not apply for the special tax regime for non-habitual residents.

This tax relief is applicable to income earned in the first year of residency after the return to Portugal and in the following four years, expiring after this period.

While the regime applies, entities required to withhold tax on the income covered by this regime shall apply the withholding tax rates determined based on half of the income paid or made available.

Legislative authorisation – Capital gains

The Government shall be authorised to review the tax regime applicable to capital gains arising from the allocation of personal assets to a self-employment activity carried out by the respective owner, with the purpose of taxing those capital gains at the time of the actual sale of the property.

Public capitalization regime

It is proposed that the tax benefits currently applicable to the public capitalization regime are extended to contributions made by employers in the name and for the benefit of their employees.

Currently, the public capitalization regime provides for a PIT deduction in respect of the contributions made to individual accounts, as well as for a reduction of both the taxable basis and the tax rate applicable to the amounts redeemed, either through the form of a lifetime annuity or the redemption of accumulated capital.

Undertakings in Collective Investment Vehicles (CIVs) in Forest Resources

Income derived from contributions in kind for the subscription of units or shares carried out by natural persons shall not be taxed. The acquisition value of the contributions in kind shall be the acquisition value for the computation of a future income at the CIV's level.



“There is a 50% relief from taxation of the property income earned by taxable persons and arising from leases to a forest management entity and the balance of capital gains and losses derived from the sale of rural buildings to a forest management entity value.”

Forest Management Entities and Forest Management Units

Non-resident individuals shall benefit from the scheme established for holders of forest management entities shares.

There is a 50% relief from taxation of the property income earned by taxable persons and arising from leases to a forest management entity and the balance of capital gains and losses derived from the sale of rural buildings to a forest management entity value. Cash contributions to the capital of forest management entities of rural buildings intended for forestry purposes are not subject to taxation. These benefits are applicable until 31 December 2020, and remain applicable for a period of 12 years in respect of leases.

Social Security

Flexibility regime of the age to access to the retirement pension

It is proposed a new flexibility regime in respect of the age of access to the retirement pension. The regime establishes the elimination of the “sustainability factor” for pensioners who, by the age of 60, have at least 40 years of contributions.

This regime will be introduced in stages: in January 2019 for pensioners who are 63-years old or more and, in October 2019, for pensioners who are 60-years old or more.



Corporate Income Tax



Impairment losses on bad debt

Impairment losses on bad debt between companies held by the same legal or natural person, directly or indirectly, in more than 10%, shall be disallowed as a tax deductible expense. This rule shall not apply in case the debtor has been subject to any enforcement or insolvency proceedings, special revitalisation or extrajudicial recovery process (under “SIREVE – Sistema de Recuperação de Empresas por Via Extrajudicial”). The rule will also not apply in case the debts have been claimed at a judicial or arbitration Court.

Provisions for environmental damage repairs

The term for the utilisation of provisions for environmental damage repairs shall be extended up to five tax years following the end of the exploitation (currently, three tax years). This extension shall have to be communicated upfront to the PTA. The argumentation underlying the extension request needs to be included in the tax file (“Dossier Fiscal”).

Intangible assets

The amortization of the acquisition cost of intangible assets (brands, licenses and goodwill acquired through business concentrations) shall be disallowed as a tax deductible expense when acquired from related parties, as per the definitions included in the transfer pricing rules (currently, tax amortization is allowed throughout a 20-year period).

Autonomous taxation

Autonomous taxation rates due on expenses with passenger and mixed-used vehicles, commercial vehicles and motorcycles, shall be increased as follows: 15% (currently, 10%) for vehicles with an acquisition cost lower than € 25,000; 37.5% (currently, 35%) for vehicles with an acquisition cost of € 35,000 or more.

The intermediate rate of 27.5% and the rates applicable to plug-in hybrid, LPG and natural gas vehicles shall remain unchanged. The exemption from autonomous taxation on expenses related with fully electric vehicles shall remain applicable.

Simplified Tax Regime

The existing rule that limits the minimum amount of the taxable basis to 60% of the annual amount of the minimum wage (€ 4,872 in 2018) shall be revoked.

New Simplified Tax Regime

Aiming at implementing a new simplified regime for Corporate Income Tax (CIT), it is foreseen that new proposals for the assessment of the taxable income shall be presented, up to mid 2019. These shall be based on technical-economic coefficients.

Undertakings Collective Investment Vehicles (CIV) in Forest Resources

The current tax regime shall also apply to property investment companies.

Income derived from the liquidation of investment funds or property investment companies shall be taxed at 10%. Currently, this rate applies only to distributions or redemptions.

Capital gains realized by non-residents

Capital gains realized by non-residents shall not be exempt from taxation in case of a transfer for consideration of shares or similar rights in a non-resident company, if the value of such shares or rights results, directly or indirectly, in more than 50%, of real estate or rights in rem of real estate located in Portugal. This rule shall not apply in case the real estate is allocated to an agricultural, industrial or commercial activity (except sale and resale of real estate).

Tax incentives to forestry activity

Taxpayers under the PIT or CIT simplified tax regime shall benefit from a tax credit on their taxable income assessed after applying the respective coefficients, and capped at the respective amount. The tax credit shall correspond to an additional deduction of 40% of the costs incurred with:

- financial contributions made by owners and forestry producers that are part of a given geographic area covered by a common fund constituted by a management company;
- operationalisation of defense against forest fires;
- forest certification, forest mitigation or adjustment in view of climate changes.

The additional deduction shall not exceed 8/1,000 of the turnover in the year of the contributions.

Forest Management Entities and Forest Management Units

Income from shares in Forest Management Entities and Forest Management Units shall be exempt also in case of ownership in more than 25% by non-residents (legal or natural persons). The exemption requires that the non-resident is resident in a EU or in a EEA member state (in the later case, binded to administrative cooperation), or in a State with which Portugal has concluded a tax treaty that foresees exchange of information.

Tax incentive to film and audiovisual production

Costs incurred with passenger and cargo vehicles, as well as motorcycles, are excluded from autonomous taxation provided they are in audiovisual and film productions sponsored by the Tourism and Film Support Fund (“Fundo de Apoio ao Turismo e Cinema”).

“Income derived from the liquidation of investment funds or property investment companies shall be taxed at 10%. Currently, this rate applies only to distributions or redemptions.”



“Eligible investments up to € 15 million (currently, € 10 million) shall benefit from a tax credit corresponding to 25% of the respective amount. The tax credit corresponding to 10% of the eligible investments above that amount shall remain unchanged.”

“The tax credit shall correspond to an additional deduction of 40% of the costs incurred with financial contributions made by owners and forestry producers that are part of a given geographic area covered by a common fund constituted by a management company;”

Contractual tax benefits

The tax credit may increase to 12% (currently, 10%) based on the per capita purchasing power index of the region in which the investment project is located.

Tax Regime for Investment Support (RFAI)

Eligible investments up to € 15 million (currently, € 10 million) shall benefit from a tax credit corresponding to 25% of the respective amount. The tax credit corresponding to 10% of the eligible investments above that amount shall remain unchanged.

Tax benefit for the reinvestment of retained earnings (DLRR)

The maximum amount of retained and reinvested earnings will be increased to € 10 million (currently, € 7,5 million). The maximum tax deduction of retained and reinvested earnings will be increased by 20% in case of entities located in inland regions.

Patronage

Donations granted by natural or legal persons to the celebration of the circumnavigation by the Portuguese navigator Fernão de Magalhães (“Estrutura de Missão para as Comemorações do V Centenário da Circum-Navegação comandada pelo navegador português Fernão de Magalhães (2019-2022)”) shall be eligible as a tax benefit under the cultural patronage regime.

Sovereign debt issued in the Chinese market

Interest on Portuguese sovereign debt issued in renminbi in China’s Popular Republic domestic debt market shall be exempt from PIT and CIT.

The exemption shall apply for holders or subscribers that are not resident in the Portuguese territory or have a permanent establishment herein, to which the loan is allocated (except if resident in a blacklisted jurisdiction). The information regarding the tax residency of the beneficiary shall be provided upon subscription at the Portuguese Treasury Management and Public Debt Agency (IGCP, E.P.E).

Tax consolidation regime – Taxation of suspended inter-company results

The 2019 taxable income shall include a quarter of inter-company results that have been disregarded under the former tax consolidation regime (applicable until 2000) and carried forward to the current Special Regime of Group Taxation (“Regime Especial de Tributação de Grupos” or “RETGS”), and that are untaxed by the end of the 2018 tax year. This is similar to what has been done in 2016, 2017 and 2018.

Aiming at anticipating the payment of CIT, in July 2019, it shall be necessary to make a payment on account of an amount corresponding to the CIT rate applicable on the amount to be included in the taxable income as per the above rule.

In case the RETGS is terminated or waived, the taxable income shall include the total amount of the inter-company results that remain untaxed.

Legislative authorization – Tax regime applicable to Attorneys' and Solicitors' Social Welfare

The legislative authorization shall aim at granting a CIT exemption to the Attorneys' and Solicitors' Social Welfare in the same terms as those foreseen for social security institutions.

Legislation authorization – Job creation in inland regions

The Government shall be authorized to introduce a regime of tax benefits under the Program for Valuing Inland Regions (“Programa de Valorização do Interior”). The tax credit shall consider the costs incurred with the creation of jobs in inland regions, corresponding to 20% of those costs, capped at the tax due in the tax year concerned. This legislation authorization relies on the authorization from the European Union to expand the regional aid scheme.



“The Government shall be authorized to introduce a regime of tax benefits under the Program for Valuing Inland Regions.”



VAT and other indirect taxes



VAT

Reduced VAT rate

The following supplies shall be subject to the reduced VAT rate:

- services provided by bullfighting artists (either acting individually or in groups) to the respective promoters (the current exemption is revoked);
- supply of hairpieces to cancer patients, subject to medical prescription;
- lease of prosthesis, equipment and other goods included in items 2.6, 2.8 and 2.9 of List I attached the VAT Code;
- supply of utensils and other equipment exclusively or mainly intended for rescue and relief operations acquired by the National Institute of Medical Emergency (“INEM – Instituto Nacional de Emergência Médica”);
- the provision of cleaning services and cultural interventions in populations and habitats, aimed at preventing fires; and,
- tickets to singing, dancing, musical, theatre and circus shows taking place in fixed artistic facilities or itinerant circus facilities, except pornographic or obscene shows. This rule shall enter into force on 1 July 2019.

Intermediate VAT rate

The intermediate VAT rate shall apply to tickets to cinema, bullfighting and other shows not covered by item 2.33 of List I, except pornographic or obscene shows. This rule shall enter into force on 1 July 2019.

Amendment to the Legal Regime of Local Business Activity and Local Participation

No VAT regularisations will be required in case of compulsory dissolution of local companies leading to the transfer of fixed assets of the local company to the Municipality, during the adjustment period. This rule has an interpretative nature.

“Directive 2016/1065 (EU), which defines the VAT treatment of vouchers issued from 1 January 2019 onwards.”

Vouchers

Directive 2016/1065 (EU), which defines the VAT treatment of vouchers issued from 1 January 2019 onwards, shall be transposed into the VAT Code. This provides for a distinction between:

- single-purpose vouchers: cases in which the elements necessary to assess the tax due are known at the moment of issuance or transfer; the VAT is due on the moment of issuance or transfer, and relates to the goods or services underlying the vouchers;
- multiple-purpose vouchers: cases where the elements necessary to assess the tax due are not known at the moment of issuance or transfer; the VAT is due at the moment of transfer of the goods or supply of the services underlying the vouchers.

Although not included in the Directive, the State Budget Proposal foresees that VAT is due and payable at the moment that the multiple-purpose voucher expires.

Telecommunication, broadcasting or television services and services provided by electronic means

Telecommunications, broadcasting, television services and services provided by electronic means (as mentioned in Annex D of the VAT Code) shall be taxed at the place where the service provider is established, provided that:

- the total value of such services does not exceed € 10,000, with reference to the previous year;
- the acquirer is not a VATable person;
- the service provider has its headoffice, permanent establishment or domicile only in that Member State.

Legislative authorizations – VAT

Reduced VAT rate on electricity and natural gas

The Government shall be authorised to amend the VAT Code in order to apply the reduced VAT rate on the fixed component due for joining the electrical and natural gas grid. The standard VAT rate shall be maintained in relation to the variable amount derived from consumptions.

Food and Beverage Services

The Government shall once again be authorised to apply the intermediate VAT to other beverages. This shall occur in the upcoming year, by means of an extension of the scope of item 3.1 of List II attached to the VAT Code.

Flat rate scheme for independent cinemas

The Government shall be authorised to implement a flat rate scheme for independent cinemas and public places for the exhibition of independent film and audio-visual work. The scheme may include a special regime of compensation of the deductible VAT. The Government may also evaluate the current regime of deduction of VAT for the entire sector.

VAT self-assessment

The Government shall be authorised once again to apply the reverse charge mechanism to supplies of cork, wood, pinecone and pine nuts in shell. The same rule already applies to the acquisition of civil works.

IEC – Excise duties

Sea crossing final destination shall be regarded as any port situated in a third territory or country used for a stopover at a port where the passengers may leave the ship, regardless of subsequent stops within the customs territory of the EU. This definition is relevant for applying the exemption on products acquired in duty free shops, carried in the personal luggage of travellers taking a sea-crossing to a third territory or country.

It shall be mandatory that the blending or incorporation of biofuels into other oil products takes place in tax warehouses.

“In 2019, the additional excise duty on oil and energetic products shall remain in place. Currently, this additional applies as follows: € 0.007/l for gasoline and 0.0035/l for both diesel and coloured or marked diesel.”



IABA – Tax on alcoholic beverages and non-alcoholic beverages containing added sugar

An amendment is foreseen of the taxation brackets for drinks with added sugar or sweeteners, and drinks with a degree of alcohol of above 0.5% and lower than 1.2%. There will be a split of the lower tax bracket (currently, € 8.22/hl for drinks with a sugar content of 80 g/li or less) as follows:

- € 1/hl for drinks with a sugar content lower than 25 g/l;
- € 6/hl for drinks with a sugar content between 25 and 50 g/l;
- € 8/hl for drinks with a sugar content between 50 and 80 g/l.

The higher tax bracket (currently, € 16.46/hl for drinks with a sugar content of 80 g/l or more) shall be increased to € 20/hl.

ISP – Excise duty on oil and energetic products

Products falling under the scope of NC codes 2701, 2702 and 2704 (coal, lignite and cokes) used in the production of electricity or cogeneration (electricity and heat) shall no longer be exempt from taxation. This shall apply to entities carrying that activity as their main activity. Taxation shall be progressive until 2022.

In 2019, the additional excise duty on oil and energetic products shall remain in place. Currently, this additional applies as follows: € 0.007/l for gasoline and € 0.0035/l for both diesel and coloured or marked diesel.

Legislative authorisation

The Government shall be authorized to progressively apply the “carbon rate” to certain oil and energy products considering CO₂ emissions.

Excise duty on tobacco

It is foreseen an increase of 1.3% on the specific component in cigarettes, smoking, chewing and heated tobacco.

The proposal also foresees an increase to the ad valorem component, from 40% to 42%, on cigarettes manufactured by small producers in the autonomous regions of Azores and Madeira, when consumed in the Azores.

The excise rate levied on the nicotine liquid for vaping devices shall be increase from € 0.30/ml to € 0.31/ml.

“The Government shall be authorized to progressively apply the “carbon rate” to certain oil and energy products considering CO₂ emissions.”



ISV – Vehicle Registration Tax

A general increase on the engine capacity component of about 1.47% is foreseen.

In what concerns the environment component, CO₂ emissions have been measured based on the New European Driving Cycle (NEDC) method. This method was replaced by the Worldwide Harmonised Light Vehicle Test Procedure (WLTP), resulting in a general increase of the CO₂ emissions and as a consequence, of the taxes due.

Aiming at mitigating this effect, a transitional provision to be applied in 2019 foresees a percentual reduction of the CO₂ emissions, computed based on the WLTP. This shall be adopted instead of adjusting the tables of the environment component.

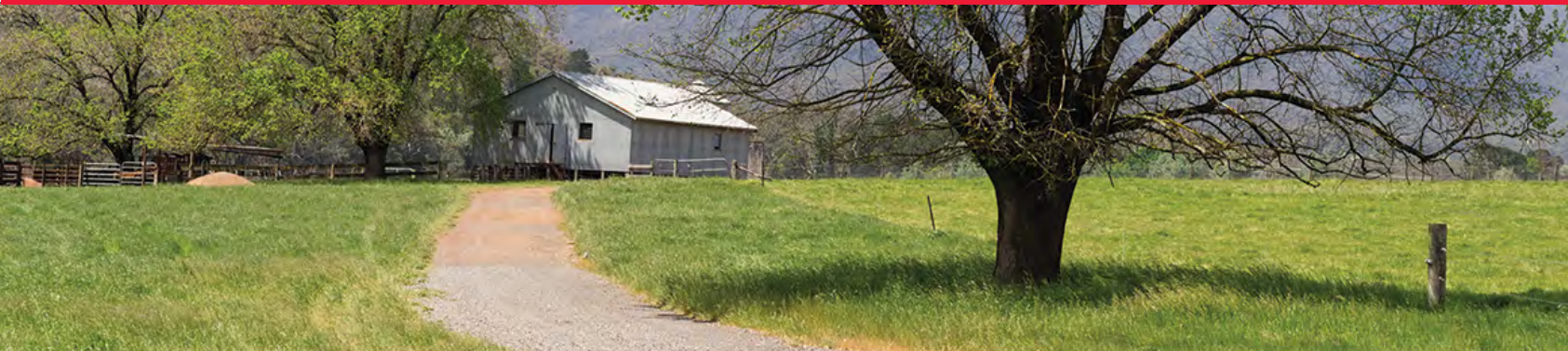
The intention of mitigating the increase in taxes does not seem to be fully achieved. For certain categories of vehicles the reductions fail to keep up with the increase of the CO₂ emissions.

IUC – Circulation Tax

A general increase of about 1.3% is foreseen, regardless of using the NEDC or WLTP methods.

A 50% relief from taxation shall be introduced for category C vehicles with a gross weight exceeding 3,500 kg. This shall apply if these vehicles are used by taxable persons that carry out itinerant activities as their main activity.

The additional circulation tax shall remain in force, with an increase of 1.3%.



“The government will be authorised to create a special contribution with the purpose of promoting the territorial cohesion and sustainability of the forest resources.”

Levy on pharmaceutical industry

The extraordinary levy on pharmaceutical industry will be maintained in 2019.

Levy on banking sector

The levy on banking sector will be maintained in 2019.

Extraordinary levy on the energy sector

The extraordinary levy on the energy sector (CESE) will be maintained in 2019. The regulatory agency (ERSE) will now send to the PTA, within 10 days of its publication, the asset value, as of 1 January, to be considered on the computation of the definitive adjustments to the permitted proceeds.

Additionally, the Directorate-General for Geology and Energy (DGEG) shall remit to the PTA, until 31 January of each year, the list of CESE's taxable persons, as well as if they are eligible for the foreseen exemptions, when applicable.

Taking into consideration its transitional nature, CESE's burden shall accompany the development of the National Electric System's tariff liability and the corresponding funding needs of social and environmental politics in the energy sector.

In addition, the CESE no longer exempts the production of electricity through generation centres that use renewable energy sources when covered by the guaranteed remuneration regime.

Audiovisual levy

The monthly value of the audiovisual levy will not be adjusted in 2019.

Legislative Authorisation – Special contribution for the conservation of forest resources

The government will be authorised to create a special contribution with the purpose of promoting the territorial cohesion and sustainability of the forest resources, whose revenues will be allocated to the Permanent Forest Trust and earmarked to support the development of slow-growing forest species.

This contribution will cover both individual and collective persons, subject to PIT or CIT, who mainly carry out economic activities that use, incorporate or transform, in an intensive way, forest resources. However, the annual amounts relating to direct or indirect investment in forest resources, as well as contributions or expenses incurred to promote the protection, conservation and renewal of such resources may be deducted.

Legislative Authorisation – Municipal charge for civil protection

The Government will be authorised to create a municipal charge that will focus on single or collective owners of urban and rural buildings whose activity determines one of the following risks: urban, forest and agricultural, industry, road or technology.

For the computation of this contribution, up to 80% of the total civil protection costs associated with the respective risks incurred by the municipality are imputed, which may include staff costs, acquisitions of goods and services, awareness raising actions, among others, as long as they are related to civil protection.

Municipal Assembly shall establish, through regulation, the information that will serve as basis for the assessment of the contribution.



Stamp Tax



Taxation on consumer credit

The 50% increase in Stamp Duty rates on consumer credit shall be extended until 31 December 2019. Besides this extension, the base rates shall also increase.

Thus, Stamp Duty rates on consumer credit shall be increased to:

- (i) 0.192% in the case of credit for a period of less than one year, for each month or fraction of a month (currently, 0.12%);
- (ii) 2.4% in the case of credit for a period equal to or greater than one year, and in the case of credit for a period equal to or greater than five years (currently, 1.5% for both cases).

In the case of credit for an undetermined term, the applicable rate on the monthly average of the debt will increase to 0.192% (currently, 0.12%).

Undertakings in Collective Investment Vehicle (CIV) on Forest Resources

An exemption shall apply on the transfer for consideration of the property right or similar rights, relating to rural buildings intended for forestry activities. The building cannot be transferred in the two following years.

Forest Management Entities and Forest Management Units

An exemption shall apply on the transfer for consideration of the property right or similar rights, relating to rural buildings intended for forestry activities. The building cannot be transferred in the two following years.

Credits granted and used by Forest Management Entities, and related interest, shall be exempt in case the Stamp Tax due is to be borne by those entities.



Real estate



Additional to the Property Tax

In the case of real estate financial leases, the lessors shall not be allowed to charge on their financial lessees the Additional to the Property Tax (AIMI), if the tax registration value of the property subject to financial lease does not exceed € 600.000.

Reorganisation of companies as a result of restructuring operations or cooperation arrangements

Exemptions from IMT, Stamp Duty and emoluments in the context of restructuring operations or cooperation agreements will become:

- automatically applicable in case of demerger;
- applicable also in case of mergers and demergers involving confederations and employers' and trade union associations, as well as business or sectoral associations (the regime shall apply with the necessary adjustment).

An anti-abuse rule is foreseen. Under this rule, the referred exemptions shall cease to apply when it is concluded that the main or one of the main purposes of the operation was to obtain a tax advantage. The corresponding additional tax assessments shall then be increased by 15%.

“It is also foreseen that Municipalities can increase the IMI rate applicable to urban real estate properties or their legal units located in areas of urban pressure that are vacant for more two years. The IMI rate can be increased six times. An additional increase of 10% in each of the following years is also foreseen, capped however at 12 times the IMI rate applicable.”

Legislative authorization – Promotion of urban rehabilitation and utilization of degraded or vacant properties

The Government shall be authorized to amend the rules regarding the classification of urban real estate or their legal units as vacant, in order to allow the use of these properties. The concept of “areas of urban pressure” shall also be defined.

It is also foreseen that Municipalities can increase the IMI rate applicable to urban real estate properties or their legal units located in areas of urban pressure that are vacant for more two years. The IMI rate can be increased six times. An additional increase of 10% in each of the following years is also foreseen, capped however at 12 times the IMI rate applicable.

Additionally, the Government shall also be authorized to:

- review the Legal Regime of Development and Construction, that approved the urban rehabilitation legal regime; the amendments concern the subpoenas to perform maintenance, rehabilitation or demolition works and their coercive execution;
- amend the Land Registration Code, in what concerns rules regarding acts subject to registration, among others, the burden of transferring real estate that has been subject to coercive works by a public entity.





Tax compliance



PIT – Tax return (Form 3)

The deadline for filing the PIT return shall be extended to 30 June of the following year (currently, 31 May).

CIT – Special payment on account

Taxpayers may waive the need to make the special payment on account by filing a request at the PTA website.

The request should be filed until the end of the third month of the tax year. The waiver shall be valid for three tax years. It relies on the timely filing of the CIT return and Annual Statement (IES) regarding the two previous tax years. The PTA is responsible for verifying the tax situation of the taxable person.

CIT – Tax return (Form 22) – Cease of activity

The final CIT Return in case of cease of activity shall be filed up to three months upon the respective date (currently, 30 days).

Property tax – Deadlines for assessment and payment

The assessment of Property Tax shall occur between February and April.

The amounts and deadlines for payment shall be amended, as follows:

- one single instalment in May – amounts up to € 100;
- two instalments, in May and November – amounts from € 100 to € 500;
- three instalments, in May, August and November – amounts exceeding € 500.

Tax incentives for R&D – Application period

The deadline for applying for the R&D incentives (under the SIFIDE regime) shall be the fifth month of the following year to which the expenses relate to (currently, May of the following year).



Tax justice



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General Tax Law

Reporting obligations of financial institutions

The information on transfer and remittance of funds for a country, territory or region with privileged taxation shall be communicated to the PTA by the financial institutions as well as by the Bank of Portugal (even if the information is already covered by another tax-reporting regime).

Tax Procedure Code

Reserved area of the PTA website

The following individuals and entities will be notified through the reserved area of the PTA website:

- i. CIT and VAT taxpayers obliged to have an electronic mailbox whenever they have not communicated it to the PTA within the legal deadline;
- ii. proxies in the tax procedure;
- iii. non-residents in the EU and the EEA without a representative with residence in Portugal;
- iv. taxpayers who have chosen this sort of communication, including non-residents in Portugal who's appointment of representative is optional.

The taxpayer shall be considered notified on the fifth day after the communication is made available in the PTA website. This type of communication will be applicable in the tax procedures, audits and enforcement processes.

Notification by edict

The edict will be available in the PTA website through a public notice.

Suspension of the enforcement process

The enforcement process will be suspended during the mutual agreement procedure under a Double Taxation Convention since a guarantee has been provided or a seizure of assets has covered the tax debt and the associated expenses.

Place for presenting a guarantee

The presentation of guarantee will always take place before the tax enforcement body and no longer before the court.

Provision of guarantee in the context of an installment tax payment scheme

The provision of a guarantee in the context of an installment tax payment scheme shall only take into consideration the tax due, late-payment interests accrued until the plan due date and enforcement process expenses, disregarding the 25% increased on the sum of those amounts.

Voluntary payment of tax debts

Taxpayers shall be allowed to make partial payments, above € 51, while the voluntary deadline for the payment of tax debts is running.

Tax and Customs Inspection Procedure Regime

Notification presumption

Within tax audits, there is an assumption of the taxpayers notification in the event of closure, insufficiency or change of address.

Tax audit formalities

The territorial competence will be established with the prior notification for the start of the tax audit.

General Taxation Infringements Law

Fraudulent introduction into consumption of beverages containing added sugar or other sweetening matters

The introduction into consumption of beverages containing added sugar or other sweetening matters with the intent of avoiding excise duties is punished by a penalty of imprisonment of up to three years or a fine of up to 360 days if the tax due is € 15,000 or higher, the products charged are worth € 50,000 or more or if the criminal conduct is collectively organized or took on an international dimension.

Social Security fraud

The conducts punished as Social Security fraud shall no longer relate to the figures inscribed on the tax statements to be provided to the State Offices.

Adherence to the electronic mailbox

The fine regarding the failure or delay in complying with the duty of giving the PTA notice of the adherence to the electronic mailbox is abolished with retroactive effects. As a consequence, the fines already voluntarily paid by the taxpayers will be reimbursed.

Information regarding financial operations

The failure or delay in submitting the statement on the opening and holding of bank accounts or cross border transfers, including to countries, territories or regions with privileged taxation, by credit institutions, financial companies and payment institutions to the PTA shall be punished with a fine ranging from € 3,000 to € 165,000.

The errors or inaccuracies on the aforementioned statement shall be punished with a fine ranging from € 3,000 to € 165,000.

Exchange of information

Access to information held by the Bank of Portugal

The General Regime on Credit Institutions and Finance Companies shall foresee the following: the duty of secret imposed to the Bank of Portugal shall not prevent the exchange of information with the PTA, if such information is relevant for the later.

“The failure or delay in submitting the statement on the opening and holding of bank accounts or cross border transfers, including to countries, territories or regions with privileged taxation, by credit institutions, financial companies and payment institutions to the PTA shall be punished with a fine ranging from € 3,000 to € 165,000.”

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