



# War times call for defense measures

**2023 State Budget Law**

January 2023



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This document highlights the key aspect  
of the 2023 State Budget.

Join the discussion!

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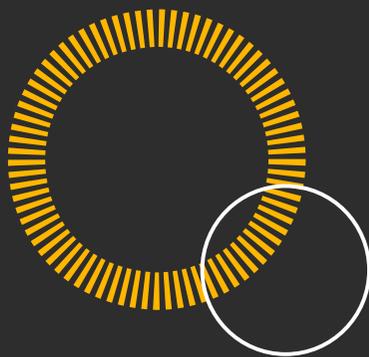
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# State Budget

2023



1.

# Personal Income Tax (PIT)

“

The limits of each bracket of the PIT are updated by 5.1%.”

## General rates

The limits of each bracket of the PIT table of general rates are updated by 5.1%. The marginal rate applicable to the second bracket is reduced to 21% (formerly 23%).

The new general PIT rates applicable are the following:

Taxable income (EUR)	Rate	Deduction (EUR)
Up to 7,479	14.5%	0.00
Exceeding 7,479 up to 11,284	21.0%	486.14
Exceeding 11,284 up to 15,992	26.5%	1,106.73
Exceeding 15,992 up to 20,700	28.5%	1,426.65
Exceeding 20,700 up to 26,355	35.0%	2,772.14
Exceeding 26,355 up to 38,632	37.0%	3,299.12
Exceeding 38,632 up to 50,483	43.5%	5,810.25
Exceeding 50,483 up to 78,834	45.0%	6,567.33
Exceeding 78,834	48.0%	8,932.68

## Subsistence level

There is an amendment to the computation of the subsistence level applicable to holders of income mainly deriving from employment work, business and professional activities and pensions. A deduction is now foreseen on the assessment of the taxable income. The former regime considered a minimum amount of guaranteed net income.

Two transitional regimes are foreseen for 2022 and 2023.

The new regime of computation of the subsistence level sets the respective indicators and the formulas to assess the amount of the applicable deduction, as well as the excluded situations.

# PIT

## Youth PIT (“IRS Jovem”)

There is a reinforcement of the tax regime applicable to income earned by young workers aged 18 to 26 (non dependants). The following exemptions shall apply:

- 50% in the first year capped at 12.5 times the amount of the Social Support Index (“Indexante dos Apoios Sociais” or “IAS”);
- 40% in the second year capped at 10 times the amount of the IAS;
- 30% in the third and fourths years capped at 7.5 times the amount of the IAS;
- 20% in the fifth year capped at five times the amount of the IAS.



There is a reinforcement of the regime of Youth PIT (“IRS Jovem”): increase of the percentages of income excluded from taxation and increase on the applicable caps."

## Deductions for dependants

In the case of more than one dependant, there is an increase of EUR 300 of the personal deduction per dependant (or EUR 150 in the case of joint custody) for the second and subsequent dependants aged not more than 6 years old, with reference to 31 December of the year concerned. This applies regardless of the age of the first dependant.

## Tax deductions

It is allowed as a tax deduction an amount corresponding to 100% of the VAT incurred by any member of the household with the acquisition of public transport tickets, provided that the expense is supported by an invoice. This is already foreseen in the case of for monthly passes.

The same tax deduction applies in respect to periodical magazines and journals, including in digital format, that are subject to the reduced VAT rate.

## Withholding taxes

### Overtime working

The flat withholding tax rate applicable to the remuneration of overtime working is reduced by 50% from the 101<sup>st</sup> hour (inclusive) onwards.

A waive of the flat withholding tax rate applies to the first 50 hours of overtime work in the case of income from employment work obtained in the Portuguese territory by non tax residents, capped at the monthly minimum national wage. A flat rate of 25% applies on the excess.

### Reduction for holders of housing credit

In 2023, taxpayers (i) who owe housing credit related with a permanent home and (ii) whose monthly remuneration does not exceeds EUR 2,700, are allowed to benefit from a reduction from withholding tax on employment income as follows:

- From January to June 2023 - the reduction of withholding PIT rate considers the rate of the immediate lower bracket applicable considering the respective monthly remuneration and family situation;
- From July to December 2023 - the reduction of the maximum marginal withholding PIT rate should correspond to 2 percentage points; the amounts to deduct remain unchanged (general and dependant, when applicable).

# PIT

## Adapting withholding tax systems

In 2023, payments of salaries and pensions shall be adapted to the new withholding tax system, aiming at applying adequate withholding tax rates in view of the taxpayers situation.

Accordingly, from 1 January to 30 June 2023, the withholding tax rates published by Order 14043-A/2022, of 5 December, shall apply. These are in line with the system followed in previous years, that reflect the update of the PIT brackets, the reduction of the marginal rate on the second bracket and the restructuring of the minimum subsistence level. Also the lower withholding tax exemption cap is updated to EUR 762 per month.

From 1 July 2023 until the end of the year, the withholding tax rates published by Order 14043-B/2022, of 5 December, that foresee a new system following a logic of marginal rates in line with the PIT brackets relevant for the annual assessment of the tax. The applicable withholding tax shall result from a combination of both applying a rate on the monthly income with a deduction of a certain amount. Taxpayers whose household includes dependents are allowed a deduction per dependant.

## Effective monthly rate

Up to the moment where employment income in general and pensions are paid or made available, the Paying entities are required to disclose the monthly effective withholding tax rate in the document supporting employment income and pensions and the respective withholding taxes. Disclosure is required up to the moment of payment of placement at disposal. Said rate is determined by the ratio between the amounts of tax withheld and the income paid or made available.

## Self employed workers

The Government assumes the compromise to review during 2023 the withholding tax rates applicable to self employed workers.

## Crypto assets

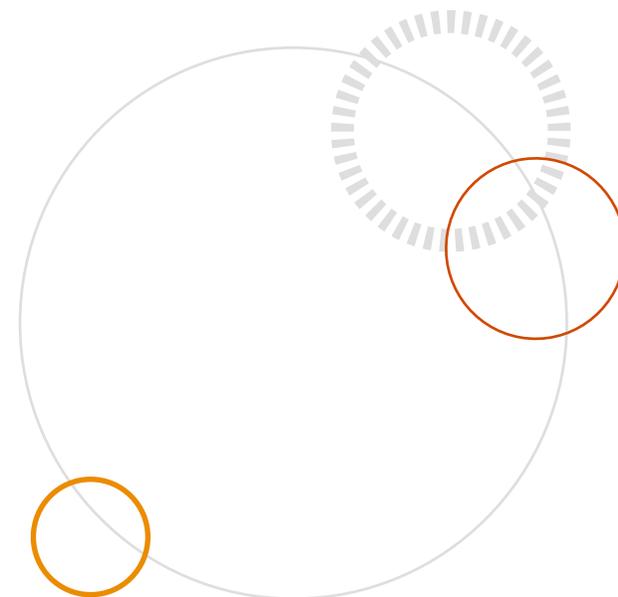
A regime of taxation of gains and income from crypto assets is created.

A definition of crypto assets is introduced. It includes all digital representations of values or rights that can be transferred or stored electronically using distributed ledger technology or similar. Unique and non fungible crypto assets are excluded.

The equivalent cash value of crypto assets considers the same rules as those applicable to income in kind.



Gains realised on the sale of crypto assets are subject to taxation. A relief from taxation applies in the case of crypto assets held for 365 days or more."



# PIT

## Category B (Business and Professional Income)

Transactions involving the issuance of crypto assets, including mining, or the validation of crypto assets transactions through consensus mechanisms, shall be considered commercial and industrial activities, taxed accordingly.

For the purposes of the simplified taxation regime, the taxable income is computed by applying the coefficient of 0.15 to the sales of crypto assets. The coefficient is 0.95 in the case of mining of crypto assets.

Income derived from the above transactions is deemed realised on the moment of the transfer of the crypto assets for a consideration. Both the termination of the activity and the loss of Portuguese residency are equivalent to transfers for a consideration.

## Category E (Investment income)

Any type of remuneration derived from transactions involving crypto assets qualifies as investment income (Category E) for PIT purposes.

No withholding tax needs to be levied on this remuneration.

In case the income is regarded as crypto assets, taxation occurs considering it as a capital gain (Category G) on the moment of the transfer of the crypto assets received.

## Category G (Capital Gains)

The loss of residency in the Portuguese territory is in this case equivalent to a transfer for a consideration.

The taxable gain corresponds to the difference between the sales proceeds (presumably the market value at the time of the transfer) and the acquisition value, net of the amounts qualifying as investment income. Necessary and effective expenses incurred with the acquisition and transfer are deductible.

For the purpose of assessing a capital gain or a capital loss, the crypto assets transferred are those acquired longer (FIFO - First In, First Out).

The positive balance between capital gains and capital losses is subject to a flat rate of 28%. The taxpayer can opt to aggregate the amount to the remainder income and have it taxed at progressive rates.

If a negative balance is assessed following a transfer of crypto assets, this capital loss can be carried forward for 5 years, when the taxpayer opts to aggregate its income.

The balance assessed is disregarded for the purpose of the mandatory aggregation applicable to capital gains derived from securities held for less than 365 days, earned by taxpayers with taxable income of an amount equal or higher than the last bracket of the progressive rates, which shall enter into force in 2023.

Gains arising from the transfer for a consideration of crypto assets held for 365 days or more are excluded from taxation. Losses are also disregarded. In the case of crypto assets acquired prior to 1 January 2023, on the computation of this period of time it is relevant the holding period that has already elapsed.

No taxation arises on crypto assets held for less than 365 days whose consideration on a transfer is also crypto assets. The acquisition value of the crypto assets received is the same as that of the crypto assets delivered.



# PIT

Both the above exclusions from taxation are not applicable if the taxpayers or the paying entity are not tax resident in another Member State, or in a State member of the European Economic Area or in another State with which a convention for the avoidance of double taxation, or a bilateral agreement or a multilateral agreement is in force and foreseen the exchange of information for tax purposes.

There is a new reporting obligation for natural or legal persons, organisations and other entities without legal personality, all providing services of custody and management of crypto assets on behalf of third parties, or managing one or more platforms for the negotiation of crypto assets. They are required to comply with this obligation up to the end of January each year.

## **Exclusion from taxation – Production of renewable energy**

A new incentive to the production of renewable energy is introduced. There will be an exclusion from taxation, capped at EUR 1,000, of the annual income earned with the sale of excess energy produced for self consumption or by small production units.

## **Real estate capital gains**

The positive balance deriving from the transfer for a consideration of rights in rem on real estate and realised by non resident is mandatorily aggregated and subject to the general PIT rates. It is taxed for 50% of the respective amount; the general PIT rates apply.

All income earned, including foreign source income, shall be considered for the purpose of determining the applicable rate on the above mentioned positive balance.



## 2.

# Corporate Income Tax (CIT)

## 65%

The carry forward of tax losses will no longer be subject to time limitation. On the other hand, the deduction of tax losses is reduced to 65% (formerly, 70%) of the taxable profit.

### Deduction of tax losses

The carry forward of tax losses will no longer be subject to time limitation. On the other hand, the deduction of tax losses is reduced to 65% (formerly, 70%) of the taxable profit.

This rule shall apply to the deduction of tax losses against taxable profit of tax years starting on or after 1 January 2023. It will also apply to tax losses assessed in tax years prior to 1 January 2023, which period for deduction is still running (except tax losses assessed in tax years prior to 1 January 2023 in which there was a situation as described in Article 6 no. 1 of the special regime applicable to deferred income tax assets - “Regime especial aplicável aos ativos por impostos diferidos” or “READ”).

Tax losses assessed in 2020 and 2021 will continue to benefit from an additional deduction of 10 percentage points against the taxable profit.

The carry forward of tax losses for an indefinite period also applies in the following cases:

- assessment of overall income of collective bodies and other entities that do not carry has main activity a commercial, industrial or agricultural activity;
- regime applicable to the transformation of companies;
- transmission of tax losses under a restructuring;
- special regime of tax neutrality applicable to operations consisting of an entry of assets of a legal person to the share capital entries of a company.

“

Tax losses assessed in 2020 and 2021 will continue to benefit from an additional deduction of 10 percentage points against the taxable profit.”

# CIT

## Tax losses – Authorisation request for transmission waived

There will no longer be the need to apply for authorisation from the tax authority for the maintenance of tax losses in case of a change of ownership of more than 50% of the share capital or of the voting rights.

It will also not depend from authorisation the maintenance by the new dominant company of tax losses of previous years in the following cases:

- (i) the new dominant company opts for the maintenance of the special regime of group taxation (“Regime Especial de Tributação de Grupos de Sociedades” or “RETGS”); or
- (ii) the dominant company of the RETGS acquires the domain of a company that is the dominant company of another RETGS, and opts for the maintenance of said RETGS.

The carry forward of the tax losses is subject to the operation not having tax evasion as its main or one of its main purposes. Namely this happens if the operation was carried out under valid economic reasons.

## Limitation on the tax deductibility of net financial costs

It no longer depends from authorisation of the tax authority the possibility of maintaining the credit and carry forward of the net financial costs that were not deducted in previous tax years, when a change of ownership of more than 50% of the share capital or of the voting rights occurs. The carry forward of the tax losses is subject to the operation not having tax evasion as its main or one of its main purposes. Namely this happens if the operation was carried out under valid economic reasons.

## Profits and losses of permanent establishment located outside the Portuguese territory

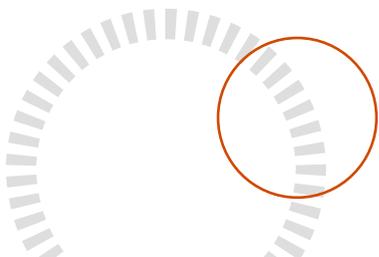
The optional regime of disregarding the profits of a permanent establishment of a Portuguese entity located outside the Portuguese territory for the purpose of assessing the taxable profit will be amended in case of large companies. The regime will apply to taxable losses generated in the 12 previous tax years (formerly, five tax years).

In the case of transformation of the permanent establishment into a company, the reference 12-year period also applies, in case of large companies, for the purpose of applying the participation exemption regime and the regime of liquidation of companies (formerly, five tax years).

## Simplified tax regime – Crypto assets

Income concerning crypto assets shall be considered for the purpose of the computation of the taxable income under the simplified regime, by applying the following coefficients:

- (i) 0.95 in the case of income from the mining of crypto assets.
- (ii) 0.15 on other income related with crypto assets (excluding income derived from mining) not regarded as investment income or resulting from the positive balance between capital gains and capital losses and other increases in wealth.



# CIT

## Costs incurred with social passes

Costs incurred with social passes are allowed for 150% of the respective amount for the purpose of the computation of the taxable income (formerly, 30%).

## CIT rate

The reduced CIT rate applicable to small and medium sized companies shall now apply to Small Mid Cap companies. The 17% shall apply to the first EUR 50,000 of taxable income (formerly, EUR 25,000).

A transitional regime for applying the reduced CIT rate was created. It shall apply to the cases where following a reorganisation of entities previously qualified as small and medium sized companies or Small Mid Cap, the beneficiary company no longer meets such requirements. The reduced CIT rate of 17% still applies in the two tax years following the reorganisation. The regime applies only to restructurings taking place between 2023 and 2026.



The reduced CIT rate applicable to small and medium sized companies shall now apply to Small Mid Cap companies. The 17% shall apply to the first EUR 50,000 of taxable income (formerly, EUR 25,000)."

## Special regime of group taxation – Autonomous Regions

If all companies part of a group taxed under the special regime of group taxation (“Regime Especial de Tributação de Grupos de Sociedades” or “RETGS”) have their registered office and place of effective management in the same Autonomous Region, the group shall be subject to the higher CIT rate applicable therein.

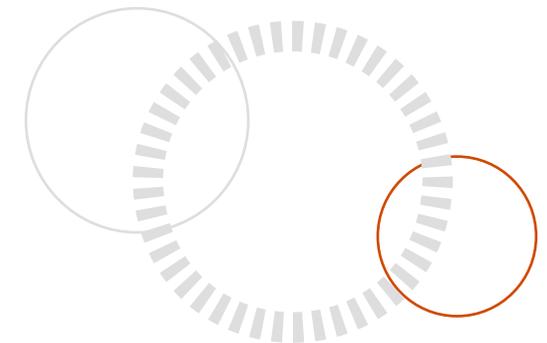
## Autonomous tax rates

Costs incurred with vehicles exclusively powered by electric energy will be subject to autonomous taxation at the rate of 10% , if the acquisition cost exceeds EUR 62,500 (formerly, these were not subject to autonomous taxation).

Costs incurred with hybrid plug-in and CNG moved vehicles shall be subject to the same autonomous taxation rates: 2.5%, 7.5% and 15% (formerly, hybrid plug-in are subject to 5%, 10% and 17.5% and CNG are subject to 7.5%, 15% and 27.5%).

The aggravation of autonomous taxation rates by 10 percentage points in case of entities assessing tax losses does not apply in the tax years 2022 and 2023 in the following cases:

- the taxpayer assessed taxable profit in one of the three previous tax years;
- the CIT return and the Annual Statement/Companies Simplified Information concerning the two previous tax years were filed timely;
- 2022 and 2023 correspond to the year of the commencement of activity or one of the two subsequent tax years.



### Waive of withholding tax - Income from intellectual property

Withholding tax can be waived on income from intellectual property obtained by companies whose statutory object consists of creating, editing, producing, promoting, licensing, managing or distributing work or services, or other contents protected by copyright or related rights, including press publications.

### Extraordinary support to costs incurred with electricity and gas

Costs and losses incurred or borne related with consumptions of electricity and natural gas, in the amount exceeding the previous tax year and excluding any fundings received, are allowed for 120% of the respective amount for the purpose of assessing the 2022 taxable profit.

The regime does not apply to taxpayers which turnover derives in at least 50% of economy activities related with:

- production, transport, distribution and commercialization of electricity and gas; or
- manufacturing of oil products, either refined or derived from residue, and other patent fuels.

### Extraordinary support to costs incurred in agriculture

Costs and losses incurred or borne with the acquisition of certain goods utilized in agriculture are allowed or 140% of the respective amount for the purpose of assessing the 2022 taxable profit.

This benefit is subject to *de minimis* state aid rules.



## 3.

# Indirect taxes



Reduced VAT rate for heating boilers and biomass heaters and a 4% general increase of Excise Duties".

## Value Added Tax (VAT)

The 2023 State Budget Law introduces specific amendments to the VAT Code. It postpones the filing of VAT returns concerning the month of June and concerning the second semester from 20 August to 20 September. Payment of any VAT regarding those returns is postponed to 25 September.

The special exemption regime foreseen in Article 53 of the VAT Code is capped at EUR 13,500 in 2023.

### Reduced rates

Reduced rates apply to beverages and yogurt with cereals, vegetables, vegetable products, among other, butter and vegetable margarines, canned fish (with a fish component of more than 50%), the acquisition of motorcycles, and construction work carried out by the responsible entities within the scope of the social housing policy in the Autonomous Regions.

List I enclosed to the VAT Code now includes the taxation of the supply and installation of space heaters and biomass boilers, included in the two highest energy classes. The reduced rate also applies to the access of live broadcast of shows and events in theaters, among others.

Said amendments have entered into force on 1 January. In the case of the supply and installation of space heaters and biomass boilers, as well as the access of live broadcast of shows and events in theaters, the amendments shall apply until 30 June 2025.

The Government is granted authorisation to carry out budget changes resulting from the transfer of an amount equivalent to the VAT actually borne within the scope of projects financed exclusively by the Recovery and Resilience Plan, either through grants or loans, exclusively within the scope PRR, carried out by certain entities (central and local government administration, non-profit entities, higher education institutions, labor unions, business and employers' associations, among other).



# Indirect Taxes

## Circulation Tax (IUC)

General increase of about 4%.

The additional IUC remains in force.

## Tax on Vehicles (ISV)

There is a general increase of about 4% of the tax rates, both on the environmental and engine capacity components.

## Indirect Taxes

### Tax on oil and energy products (ISP)

The partial refund mechanism for professional diesel is now extended to professional gas, as well as to public passenger transportation companies.

The refund is no longer processed in relation to each supply, now operating on a monthly basis.

The tax rates for various products (fuel oil, gas, diesel, etc.) used in the production of electricity, electricity and heat (cogeneration) and city gas are increased, both in terms of ISP, and in terms of CO<sub>2</sub> addition. New increases are also foreseen for the following years.

However, in 2023, there will be no partial taxation of natural gas identified by NC 2711 11 00 and 2711 21 00.

### Tax on alcoholic beverages and non-alcoholic beverages with added sugar (IABA)

#### Beer

The computation of excise duties on beer with low alcoholic contents was amended. Beers with alcoholic content above 3.5% it is expected an increase of taxation of around 4%. Beers with a lower alcohol content, ranging from 1.4% to 3.5%, there is a reduction of taxation.

#### Non-alcoholic drinks with added sugar

General increase of taxation of about 4%.

This increase will also be applied in liquid, powder, granulates or other solid forms of concentrates.

#### Spirits drinks

General increase of taxation of about 4%.

This increase was also reflected in the rates applicable in the Autonomous Region of Madeira.

#### Other fermented still and sparkling alcoholic beverages

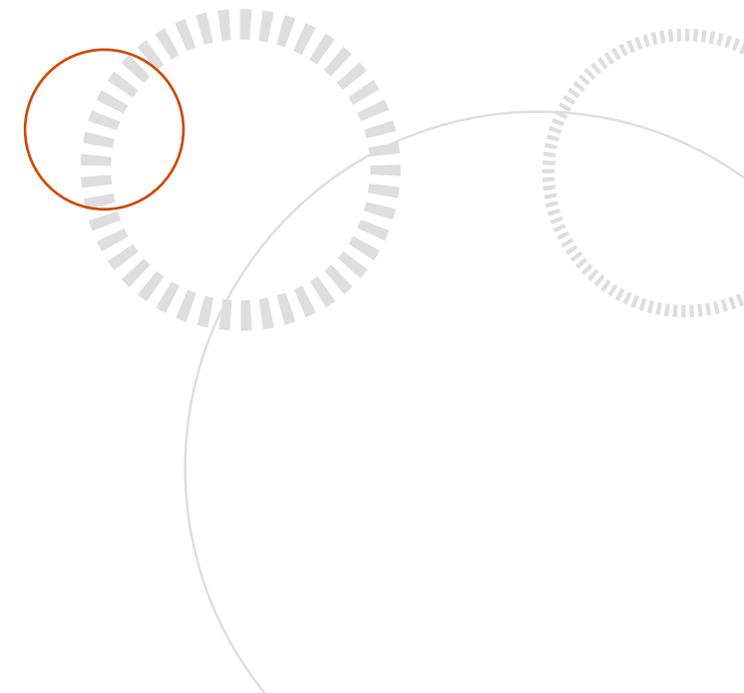
General increase of taxation of about 4%.

#### Tobacco

General increase of taxation of about 4%.



The gradual elimination of exemptions applicable to certain oil and energetic products progresses."



## 4.

# Real Estate



The value (as assessed under the Stamp Tax Code) of the crypto assets given in exchange shall correspond to the value of the act or contract for the purpose of assessing the taxable basis for Real Estate Transfer Tax "

## Real Estate Tax (IMI)

### Aggravated IMI rate does not apply in case of natural disaster or calamities

In the case of real estate which conservation status results from natural disaster or calamity, the aggravated IMI rate (to the triple) does not apply. This aggravated rate applies to buildings vacant for more than one year or in ruins. The same is valid for the additional increase of the rate by 30% in the case of degraded buildings.

### Building for local lodging and residential building located in urban pressure areas

Municipalities are allowed to increase the IMI rate applicable to buildings or part of buildings located in urban pressure areas as follows: (i) up to 100% in the case of buildings for local lodging; and (ii) up to 25% in the case of residential buildings that are not rented or allocated to the taxpayer's permanent abode. The increase can go up to 50% if the taxpayer is a collective person or other equivalent entity for tax purposes.

### Vacant buildings located in urban pressure areas

The increase of rate for vacant buildings located in urban pressure areas applies to buildings that are vacant for more than one year (formerly, two years).

The aggravated rate - 12 times the IMI rate for urban building - can be increased upon decision of the municipality as follows: (i) by 25 % in the case of residential urban building or unit that is not rented or used for permanent abode in the year concerned; (ii) by 50 % if the taxpayer is a collective person or other equivalent entity for tax purposes.

# Real Estate

## Real Estate Transfer Tax (IMT)

### The IMT taxable basis includes the value of cryptoassets

The value (as assessed under the Stamp Tax Code) of the crypto assets given in exchange shall correspond to the value of the act or contract for the purpose of assessing the Real Estate Transfer Tax taxable basis.

### Assessment of the IMT on the transfer of residential urban property

There is an update by 4% of the brackets for assessment of the IMT rate applicable to the transfer of urban property, or building units in urban property, exclusively for residential use.

As a result of this amendment, IMT is only due in the case of an acquisition of an urban property or building unit in an urban property, exclusively for permanent residential use, is the taxable basis exceeds EUR 97,064 (formerly, EUR 93,331).

### Exchange of real estate

In the case of exchange of real estate, an existing rule establishes that for the purposes of assessing the taxable base it is considered the disclosed difference in amounts if higher than the difference between the tax registered values. This rule does not apply to real estate exchanged that is transferred within one year after the exchange. The original exchanger must file a standard form ("Modelo 1 de IMT") within 30 days upon the transfer.

If the exchange does not include the whole real estate or in case of an exchange of rights in rem of said real estate, as well as in the case of a separate exchange of said rights in rem, the taxable basis considers the rate applicable to the full amount of the real estate, taking into account the part of the real estate or the right that is being exchanged.

### Exemption on the acquisition of real estate for resale

For the purposes of applying de exemption on the acquisition of real estate for resale, it is assumed that the taxpayer usually and habitually carries out such activity if in each of the two previous years he resold real estate acquired with that purpose (formerly it was only required that in the previous year a building was acquired for resale, or the sale of real estate acquired with that purpose).

Said amendment does not preclude that in the case the real estate is resold, not for resale, within three years, there is a refund of the tax paid on the acquisition.



## 5.

# Tax benefits



A new regime for the creation of net jobs is established. Costs incurred with remunerations and social contributions related with the hiring of residents in inland regions are allowed in 120% of the respective amount for the purpose of the computation of the taxable profit.”

## CIT – Inland Regions

Small-medium capitalization (Small Mid Cap) companies carrying their activity in inland regions can now benefit from the reduced CIT rate of 12.5 %.

The referred rate will apply to the first EUR 50,000 of taxable income (currently, EUR 25,000).

A new regime for the creation of net jobs is established. Costs incurred with remunerations and social contributions related with the hiring of residents in inland regions are allowed in 120% of the respective amount for the purpose of the computation of the taxable profit.

## CIT/PIT – Tax incentive to wage increase

There will be an additional deduction of 50% of all employment expenses (including fixed remunerations and social contributions) related to salary increases of employees with non-term labor agreements established by collective dynamic regulation instruments.

The following expenses are eligible:

- a) concerning employees whose income has been increased in at least 5.1% with reference to the previous year; and
- b) above the national minimum monthly wage of the tax year concerned.

The maximum amount of eligible expenses, by employee, must not exceed four times the national minimum monthly wage.

This incentive does not cover taxpayers whose wage scale has increased with reference to the previous year.

This incentive expires on 31 December 2026.

# Tax benefits

## CIT – Tax Regime of the Incentive to the Capitalization of Companies (“Incentivo à Capitalização das Empresas” or “ICE”)

A deduction is allowed against the taxable profit corresponding to an amount resulting from applying a rate of 4.5% to the net increase in eligible equity. Said rate can be increased by 0.5 percentage points, in the case of micro, small or medium sized companies or small-medium capitalization companies – Small Mid Cap.

Such deduction shall not exceed, in each tax year, the higher of:

- a) EUR 2 million; or
- b) 30% of the tax EBITDA, pursuant to Article 67 of the CIT Code.

The amount that exceeds the cap provided for in b) above can be carried forward for a period of five years.

The net increases in eligible equity correspond to the sum of the increases in eligible equity after deducting outflows, in cash or in kind, in benefit of the holders of equity. These outflows consider reduction of equity or equity sharing, as well as distribution of reserves or retained earnings, occurring in each of the nine previous tax years.

Where the sum of the increases in eligible equity is negative, it is considered, it equals zero.

The following are eligible equity increases:

- a) cash contributions made in connection with the incorporation of companies or the increase in the share capital of the beneficiary company;
- b) contributions in kind made within the scope of the share capital increase that correspond to the conversion of credits into capital;
- c) premiums for issuing of securities;
- d) Accounting profits of the year that are applied to retained earnings or, directly, to reserves or to an increase in share capital.

For the purpose of the regime, only the net increase in eligible equity occurring in tax years starting on or after 1 January 2023 are relevant.

## CIT – Tax Regime for Investment Support (“Regime Fiscal de Apoio ao Investimento” or “RFAI”)

For the purpose of this regime, a deduction of 30% (formerly, 25%) is allowed against the tax assessed in the tax year concerned. Said deduction concerns the eligible expenses related with the investment made capped at EUR 15,000,000.

## PIT/CIT – Portuguese sovereign debt issued in the Chinese market

The PIT and CIT exemptions on interest from Portuguese sovereign debt issued in *renminbi* in the Chinese internal debt market are maintained.



4.5% of the amount of the net increase in eligible equity is allowed as a deduction to the taxable profit (increased by 0.5 percentage points in the case of micro, small, medium sized companies or Small Mid Cap companies).”

## CIT/PIT – Patronage

### World Youth Day

Donations, in cash or in kind, to the Fundação JMJ–Lisboa 2023, are allowed:

- a) as CIT deductible costs for 140% of the respective amount;
- b) as PIT deductible costs for 140% of the respective amount under Category B (self-employment/ business income);
- c) in all other situations, as a PIT credit corresponding to 130% of the respective amount.

## Revocations

The tax incentive schemes of Conventional Remuneration of Share Capital (“Remuneração Convencional do Capital Social” or “RCCS”) and Deduction for Retained and Reinvested Profits (“Dedução por Lucros Retidos e Reinvestidos” or “DLRR”) are revoked. The first continues to be in force for contributions to the share capital made until 31 December 2022.

## 6.

# Tax Justice

## CCR Legal

### Sociedade de Advogados

An independent law firm member  
of PwC's legal practices

**The text presented in this section is the responsibility of CCR Legal – Sociedade de Advogados\*.**

\*CCR Legal is an independent law firm and a member of the group of legal services practices of PwC member firms.

### Tax transparency measures

As is the case of debts to the Tax Authority, it is now proposed to include and consequently disclose social security debtors whose contributive situation has not been regularised.

### Direct consultation in enforcement proceedings

Social Security, within the scope of the enforcement proceedings it initiates, may obtain information regarding the identification of the defendant, the debtor or the head of the household and the location of his/her seizable assets, through direct consultation of the databases of the Tax Authority, Social Security, land registry, commercial registry, vehicle registry, civil registry and other similar registries or archives.

### Graduation of credits resulting from State aid

State aid credits now enjoy general movable property privilege and are graduated alongside credits made available to companies.



# Tax Justice



Debtors to the Social Security whose contributive situation is not regularised are now included and consequently disclosed."

## Preference in the sale of real estate to municipalities

Municipalities that have, within their territory, buildings and autonomous fractions in enforcement proceedings now have the right of preference in their purchase and sale or in lieu of payment.

## Deadlines and suspension in administrative offence proceedings

It was implemented the deferral and suspension of deadlines related to acts to be carried out in administrative offence proceedings before Social Security, which end during the month of August, to the first working day of September.

## Amendment of the General Tax Law

It is now foreseen that the tax administration, in the context of an inspection and to ascertain the taxpayers situation, may access the data contained in the Central Register of Effective Beneficiary.



7.

# Other tax matters

## 10%

Free transfers of crypto assets deposited in institutions in Portugal are subject to Stamp Tax at the rate of 10%.

## Stamp Tax

### Taxation of crypto assets

Free transfers of crypto assets are subject to Stamp Tax at 10%. This will apply in case of crypto assets deposited in institutions located in Portugal. It will also apply if the crypto assets are not deposited therein but the author has its domicile in Portugal, in the case of inheritance, or if the beneficiary has its domicile in Portugal, in the case of other free transfers.

Commissions and other payments charged by or with the intermediation of crypto assets service providers are subject to Stamp Tax at 4%. This will apply if the provider or the client are domiciled in Portugal, in which case the tax is borne by the client. In the case of a service provider outside Portugal, tax is assessed by the intermediary in Portugal, or by the representative appointed by the service provider, if the cases where there is no intermediary.

### Free transfers of monetary assets

Monetary values that are not deposited are subject to tax if the author has its domicile in Portugal, in case of inheritance, or if the beneficiary has its domicile in Portugal, in case of other free transfers. This will result from an amendment to the territory impact rule on free transfers of monetary values.

### Aggravated rate for consumer's credit

There is no provision concerning the maintenance in 2023 of the aggravated rate (by 50%) applicable to the granting of consumer's credit.

## Other tax matters

### Exemptions for housing credit

Exemptions apply to housing credit, capped at the principal amount, in the following case: (i) amendment to the term resulting in tax due given different rates being applicable; (ii) extension of term; (iii) conclusion of a new housing credit agreement for refinancing of debt. In the latter case the exemption includes guarantees. There is also an exemption for guarantees related with housing credit resulting from a change of financial institution or from the subrogation of the mortgagee's rights and guarantees.

### Levies

#### Audiovisual levy

There is no update on the monthly amounts of the audiovisual levy.

#### Bank levy

The bank levy is maintained.

#### Solidarity surcharge for the banking sector

The solidarity surcharge for the banking sector ("Adicional de Solidariedade Sobre o Setor Bancário") is maintained.

#### Pharmaceutical industry levy

The extraordinary pharmaceutical industry levy is maintained.

#### Extraordinary levy on suppliers of medical devices to the national health system

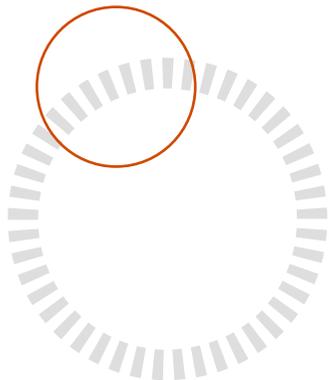
The extraordinary levy on suppliers of medical devices to the national health system is maintained.

#### Extraordinary levy on the energy sector

The extraordinary levy on the energy sector ("Contribuição extraordinária sobre o setor energético" or "CESE") is maintained.

### Special levy for the conservation of forest resources

As foreseen in the 2023 State Budget Law, the special levy for the conservation of forest resources was regulated by Decree-Law 88/2022, of 30 December. It is applicable as from 1 January 2023.



# Other tax matters

## Tax Compliance

### Reporting of crypto assets transactions

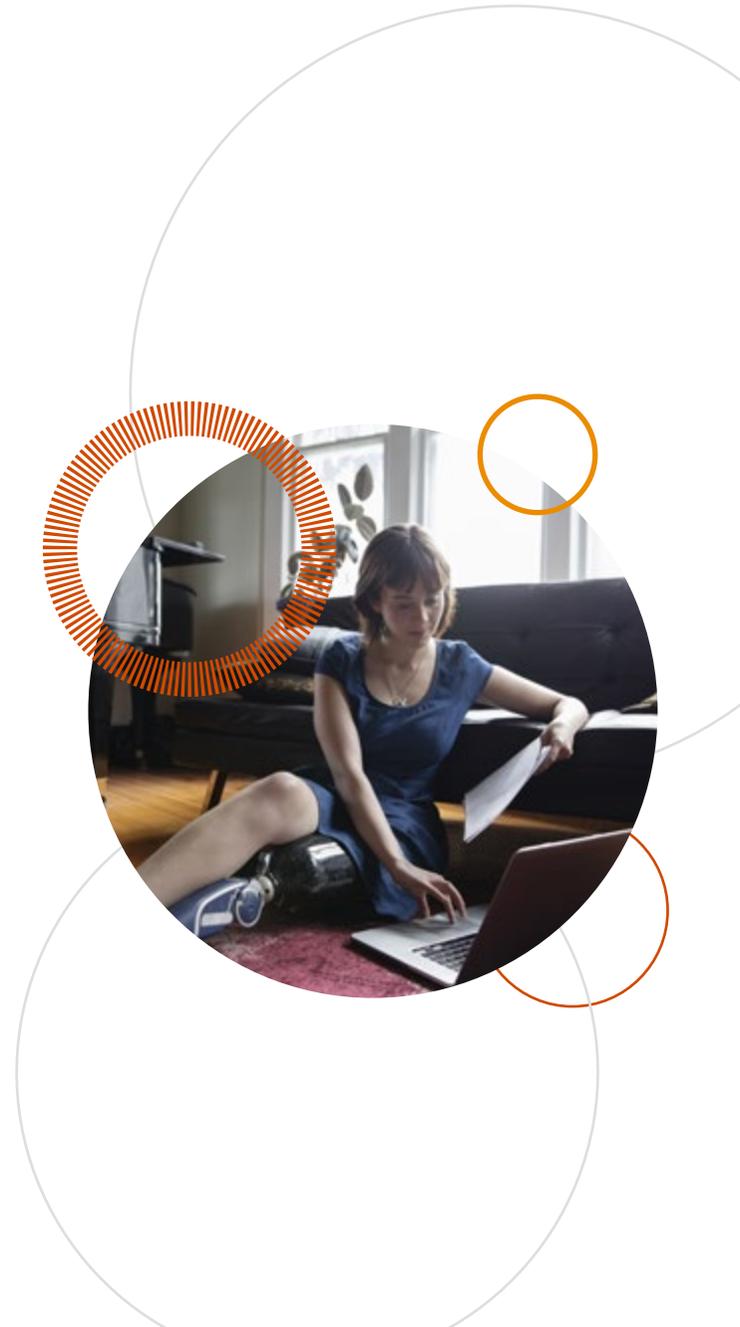
There is a new reporting obligation for natural or legal persons, organisations and other entities without legal personality, all providing services of custody and management of crypto assets on behalf of third parties, or managing one or more platforms for the negotiation of crypto assets. They are required to file a standard form with the tax authority, up to the end of January each year, in relation to each taxpayer. The standard form will be used to report the transactions related with crypto assets carried out with their intervention.

### Social Security

The communication of the new employees shall be made in the previous 15 days (currently, in the previous 24 hours) before the effectiveness of the labour agreement.

There are exceptional measures applicable during the month of August:

- Postponement until the last day of August, regardless of being a working day, of the deadline to comply with any obligations related with contributions including the regularization of social security debts, in respect of deadlines ending during said month;
- The monthly remuneration statement (“DMR-SS”) shall be filed until 25 August;
- Suspension in August of all deadlines related with audits;
- Postponement to the first working day of the following month of all deadlines ending during the month of August related with: infractions procedures; right of hearing or defense in any procedure; reduction, waive or advance payment of penalties; clarifications requested by the social security entities.



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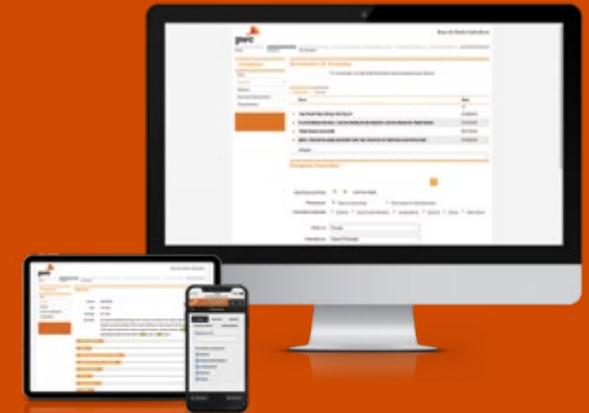
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