

# STATE BUDGET 2023 TAX REGIME FOR THE CAPITALIZATION OF COMPANIES (1/2)

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## WHAT IS IT?

- The Tax Regime for Corporate Capitalization (ICE) is a tax benefit that allows a deduction from the CIT taxable profit of an amount corresponding to 5% (SMEs) or 4.5% (non-SMEs) of the algebraic sum of the increases in equity capital verified over a period of 10 years starting from tax year 2023.

## HOW IS IT CALCULATED?



- Each year companies deduct from their taxable profit 5% (SME) or 4.5% (non-SME) of the positive balance of the algebraic sum of the net change in equity capital for that year and the 9 previous years (starting from 2023).

Here is an example for an SME:

	FY2023	FY2024	FY2025	FY2026	FY2027
Change in equity capital	€ 100.000	€ 30.000	(€ 50.000)	(€ 100.000)	€ 40.000
ICE Deduction	€ 5.000	€ 6.500	€ 4.000	€ 0	€ 1.000
Tax savings (assuming an effective rate of 22.5%)	€ 1.125	€ 1.463	€ 900	€ 0	€ 225

- The change in equity is calculated as follows:
  - i. Increases in eligible equity capital;
  - ii. Subtracted from outflows, in cash or in kind, in favor of the owners of the capital, as a remuneration or reduction thereof, or as equity-sharing, as well as distributions of reserves or retained earnings.
- The ICE Deduction cannot exceed (with the excess being reportable for up to 5 years) the greater of the following limits:
  - i. € 2.000.000; or
  - ii. 30% of the EBITDA.

# STATE BUDGET 2023 TAX REGIME FOR THE CAPITALIZATION OF COMPANIES (2/2)

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## WHAT ARE THE RELEVANT CAPITAL INCREASES?



- The following:
  - i. Contributions in cash as part of the incorporation of companies or the increase in share capital of the beneficiary company;
  - ii. Contributions in kind made within the scope of a capital increase corresponding to the conversion of credits into capital;
  - iii. Premiums for the issuance of equity interests;
  - iv. Accounting profits after 2023 when they are applied in retained earnings or, directly, in reserves or in the capital increase.
- Note that capital increases made by supplementary payments are not relevant for the purposes of this benefit.

## WHO IS EXCLUDED?



- The ICE Deduction applies generally to all commercial companies or civil companies under commercial form, cooperatives, public companies, and other legal persons under public or private law with head office or effective management in Portuguese territory.
- However, there are several exclusions aimed at excluding from the benefit capital increases made with the collaboration of entities established in non-cooperative tax regimes, as well as the use of the benefit to make cascading deductions within the same group.