

# STATE BUDGET 2022

## PROPOSAL FOR PORTUGAL

### PERSONAL TAXATION

#### KEY TAKEAWAYS (1/2)

#### RETURNING TO PORTUGAL



- The Government proposes to extend the special tax regime applicable to former residents (expats returning to the country after a minimum 3-year absence) who become (or became) tax residents in Portugal in 2021, 2022 or 2023.
- This regime allows taxpayers to benefit from a tax exclusion of 50% on their employment and/or self-employment income earned either locally or abroad, during a period of 5 years.

#### YOUNG WORKERS TAX RELIEF

- The Government proposes to enhance its Young Workers Tax Relief Program to now also cover self-employment income (instead of only income from employment) and also to be applicable during a 5-year period (instead of the current 3).
- If approved, the Young Workers Tax Relief Program will thus now establish an exemption (with progression) from Personal Income Tax on 30% of eligible income in the first two years (with a limit of 7.5 x IAS), 20% in the following two years (with a limit of 5 x IAS) and 10% in the last year (with a limit of 2.5 x IAS).



IAS 2021 = 438.81

#### PROGRESSIVE TAXATION ON SHORT-TERM CAPITAL GAINS

- The Government proposes to subject capital gains resulting from the sale of securities (and other similar transactions) to progressive taxation (as opposed to the current 28% flat rate) if, at the time of sale, the securities were held for a period of less than 365 days and the taxpayer in question has income subject to progressive taxation (with the inclusion of the mentioned capital gains), equal to or greater than the last bracket (€ 75.009).



To be in force starting from 01.01.2023

#### STOCK-OPTIONS - «START-UP»

- Government proposed to be granted legislative authorization to establish a special tax regime applicable to stock options granted by companies that fall under what will become the legal concept of "start-up".



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### PERSONAL TAXATION

#### KEY TAKEAWAYS (2/2)



#### TAX ALLOWANCE PER CHILD

- The Government proposes to maintain the additional tax allowance per child first introduced in the State Budget for 2021 in the amount of € 300 (€ 150 in case of shared parental responsibilities) for the second and subsequent children, if they are 3 years old or less.
- The Government also proposes to add a new tax allowance of € 150 (€ 75 in case of shared parental responsibilities) for the second and subsequent children, if they are between 3 and 6 years old.
- These deductions are not cumulative with the additional tax allowance applicable to the first child aged 3 years old or less (€ 126 or € 63 in case of shared parental responsibilities).

#### NEW TAX BRACKETS

- A thorough review of the general Personal Income Tax rates table is proposed with the creation of new brackets and a review of the applicable rates:



Income (€)	Normal Rate	Average Rate
Up to 7.116	14,50%	14,500%
From more than 7.116 to 10.736	23,00%	17,366%
From more than 10.736 to 15.216	26,50%	20,055%
From more than 15.216 to 19.696	28,50%	21,967%
From more than 19.696 to 25.076	35,00%	24,770%
From more than 25.076 to 36.757	37,00%	28,657%
From more than 36.757 to 48.033	43,50%	32,141%
From more than 48.033 to 75.009	45,00%	36,766%
More than 75.009	48,00%	

#### ENVIRONMENTAL TAX DEDUCTIONS

- Government proposed to be granted legislative authorization to allow the deduction against the Personal Income Tax of part of the VAT incurred on the acquisition of energy efficient appliances and renovations, up to a maximum of € 500 per household.



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## PROPOSAL FOR PORTUGAL

### CORPORATE TAXATION

#### KEY TAKEAWAYS (1/2)



#### PATENT BOX

- The Government proposes a reinforcement of the Patent Box in order to allow the exclusion from Corporate Taxation of 85% (previously 50%) of eligible income, meaning income derived from contracts whose object is the temporary assignment or use of copyrights and (registered) industrial property rights relating to (i) Patents; (ii) Industrial designs; (iii) Software copyrights.

#### EXPENDITURE TAXATION

- The transitory provision that waives the application of the increase in expenditure taxation for companies with tax losses is maintained for 2022, when the company has started activity in 2022 (or in the two previous fiscal years) or has obtained taxable income in one of the three previous tax periods (having also timely and successfully submitted all mandatory tax returns).



#### RECOVERY TAX INCENTIVE

- The Government proposed to create a deduction against Corporate Taxation due in 2022 (up to 70% of the tax amount, the excess being deductible in the five subsequent periods) for companies that, complying with certain requirements, make eligible investment expenditures in operating assets between July 1<sup>st</sup> and December 31<sup>st</sup>, 2022.
- The benefit is calculated as follows:
  - a) 10% of eligible expenses incurred in the 2022 tax period (up to the average of eligible expenses incurred in the three previous tax periods);
  - b) 25% of the eligible expenses incurred in the tax period in the part exceeding the previous limit.
- The maximum cumulative amount of eligible investment expenses is €5,000,000 per company.
- The use of the benefit is conditional on maintaining jobs for three years and not distributing profits during the same period.



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## PROPOSAL FOR PORTUGAL

### CORPORATE TAXATION

#### KEY TAKEAWAYS (2/2)



#### SPECIAL PAYMENT ON ACCOUNT

- The Government proposes to eliminate the Special Payment on Account, which was already being waived when the company had its tax situation in order.

#### INLAND TAX INCENTIVES

- The Government proposes to be granted legislative authorization to create a regime of tax incentives for inland regions of Portugal, which may include the establishment of a deduction to the Corporate Taxation amount due equivalent to 20% of expenses incurred with jobs creation, as long as the wages exceed the value of the guaranteed national minimum wage.



#### STATE BUDGET 2022

The Proposal was presented to National Parliament on 13.04.2022

Final vote is scheduled for 27.05.2022

State Budget is expected to enter into force as of 01.06.2022 (but the majority will have retroactive effects to 01.01.2022)