

# NEWSLETTER

State Budget Proposal 2022



**Joaquim Mendes**

Managing Partner

**T +351 214 134 630**

**E: [gtc@pt.gt.com](mailto:gtc@pt.gt.com)**

---

## I. Personal Income Tax (PIT)

### 1. General PIT rates - Change in income brackets

It is proposed to create 2 more PIT taxable income brackets for the purposes of determining the general PIT rate.

The proposal determines the splitting of the 3<sup>rd</sup> income tax bracket (so far from €10,732 to €20,322) into 2 new brackets, a first for income between €10,736 and €15,216, with the application of a lower rate than that envisaged at this time (reduction of around 2 percentage points), and a second of income between €15,216 and €19,696, at a rate similar to the current one.

It also determines the splitting of the 6<sup>th</sup> income tax bracket (so far from €36,967 to €80,882) into 2 new brackets, a first for income between €36,757 and €48,033, with a lower rate of around 5 percentage points, and a second of income between €48,033 and €75,009, at a rate similar to the current one.

The last bracket applies to incomes from €75,009 onwards (currently applicable from €80,882 onwards).

### 2. Special regime for ex-residents

It is proposed to extend the tax regime for ex-residents (i.e., 50% exclusion from taxation of employment income and business and professional income) to individuals who become residents in 2021, 2022 or 2023.

It is expected that taxable persons, who have met the requirements for applying the tax regime applicable to ex-residents and have, on the date of entry into force of the State Budget, applied for registration as a Non-Habitual Resident by 31 March 2022, can submit the PIT declaration invoking the application of the tax regime applicable to former residents, until the end of July 2022.

If they have already submitted an PIT return applying the non-habitual resident tax regime, taxable persons may choose to submit a replacement tax return invoking the application of the tax regime applicable to ex-residents, until the end of July 2022.

In any of the above cases, the submission of the PIT declaration with the option for the tax regime applicable to ex-residents results in the automatic cancellation of the registration as a non-habitual resident, with no charges.

### 3. Youth PIT Regime

It is proposed to extend the Youth PIT regime, also covering income from category B (income from business or independent professional activity), as well as its extension for another 2 years, from 3 to the first 5 years of employment. earning income from work after the year of completion.

It is proposed that the age of option for the Youth PIT regime be extended up to 28 years, inclusive, in case the completed study cycle corresponds to level 8 of the National Qualifications Framework.

It is also proposed that the PIT exemption will be applied in the first year of obtaining income after completion of the study cycle and in the following four years, provided that the option is exercised up to the maximum age and, in years consecutive or interpolated, provided that the maximum age of the taxable person does not exceed 35 years, inclusive.

It is also proposed an amendment to the exemption from the youth IRS regime, changing to 30% in the first two years, 20% in the two following years and 10% in the last year, with the limits of 7.5 times the value of the IAS, 5 times the IAS value and 2.5 times the IAS value, respectively.

Taxable persons who have opted for this regime, in relation to income from dependent work earned in 2020 and 2021, can benefit from the regime established in the new version, with the necessary adaptations, for the remaining period.

It is also proposed that the elements for the application of the Youth PIT regime should be included in the PIT return by pre-completing the declaration, or in the automatic declaration.

### 4. PIT Category B simplified regime

For the purposes of allocating expenses and charges to business or professional activity, the taxable person must identify the invoices and other documents that cover expenses and charges related to his activity, including intra-Community purchases of services (in addition to imports and intra-Community acquisitions of goods).

The possibility remains for taxable persons to declare expenses and charges related to business activity in the PIT return for

the respective year, replacing the values communicated to the Tax Authorities.

In these cases, taxable persons must keep evidence of the amounts declared.

Additionally, it is foreseen the possibility of deducting expenses with the acquisition of goods and services directly necessary for the implementation of developments that allow ensuring the prior submission of the SAF-T (PT) file for taxable persons with organized accounting.

### 5. Capital gains - Securities (FIFO)

It is proposed to change the First In First Out rule (FIFO) in the determination of capital gains on the sale of securities, starting to be considered by the nature and identical rights of these instruments, but now with reference to the instruments deposited in each institution credit or finance company.

### 6. Capital gains – Acquisition value for free of charge transactions

It is proposed to change the concept of acquisition value for free of charge transactions in determining the income from capital gains of category G of PIT, including a specific provision to determine the acquisition value of securities in case they were donated between members of the same family with Stamp Duty exemption application. As with real estate, also for securities obtained free of charge, the acquisition value is determined with reference to the value that would serve as the basis for the settlement of Stamp Duty, if it were due, up to two years prior to the donation.

### 7. Capital gains - Loss reporting

It is proposed to extend the deduction of losses within the scope of category G, capital gains, for situations in which the taxable person is obliged to aggregate the income and not only in the case of option for the aggregation, in line with the jurisprudence that has been issued in this regard.

### 8. Capital gains - Mandatory aggregation of securities

The mandatory aggregation of the balance between capital gains and losses generated with the onerous disposal of transferable assets held for less than 365 days is foreseen, when these gains are earned by taxable persons who have a taxable income equal to or greater than the of the last income bracket (€75,009).



The mandatory aggregation of capital gains is expected to apply to income earned from 1 January 2023.

## 9. Deductions to tax due

### Dependents aged between 4 and 6 years in families with two or more children

The deduction is expected to be extended to families with two or more dependents, aged between 4 and 6 years, which increases from €600 to €750 (€300 to €375 in families with joint custody), the from the second dependent, regardless of the age of the first dependent.

### Deduction by invoice requirement

An increase in the amount deductible from the PIT due is foreseen, from 22.5% to 35% of the VAT borne with expenses for the purchase of veterinary medicines, by any member of the household.

## II. Corporate Income Tax (CIT)

### 1. Non-deductible expenses for tax purposes

It is proposed to introduce a limitation on the acceptance of tax expenses referring to charges entitled to documents issued by entities that have not submitted the declaration of beginning of activity for the purposes of CIT.

### 2. Tax regime applicable to the Patent Box

It is proposed to change the so-called "Patent Box" regime, provided for in article 50-A of the CIT Code, allowing only 15% (previously 50%) of the proportion of income from contracts whose object is the assignment or temporary use of industrial property rights subject to registration and copyright on software, to be subject to tax.

### 3. Autonomous taxation – Transitional provision in the context of COVID-1'

The increase of 10 percentage points in the autonomous tax rates applicable to micro, small and medium-sized companies or cooperatives, which calculate tax losses, in the 2022 tax period, is not applicable whenever the entities in question:

- have obtained taxable income in one of the three previous tax periods and have submitted, in a timely manner, the income statement and the annual tax and accounting information/IES declaration relating to the two previous tax periods;

- the 2022 tax period corresponds to the period of beginning of activity or one of the two following periods.

## 4. Officious CIT settlements

It is proposed to review the rules for determining the taxable income of entities subject to CIT that do not submit the model 22 (Annual CIT Return) declaration by November 30 of the following year, using the rules of the simplified regime, through the application of the coefficient of 0.35 to the income elements available to the Tax Authorities (namely, invoicing issued and communicated through *e-fatura*).

Only when the Tax Authorities do not have any elements, they may continue to use the highest of the following values: i) the entire tax base of the closest tax period that is determined or ii) the annual value of the minimum monthly remuneration.

## 5. Special Payment on Account

The Special Payment on Account regime is hereby revoked with effect from, inclusively, the tax periods beginning on or after January 1, 2022.

However, the deduction or reimbursement regime, referring to Special Payments on Account made in previous periods, remains in force until the respective effects cease to be produced.

## III. Value Added Tax (VAT)

### 1. Deadline for submission and payment of periodic VAT returns

It is proposed that the deadlines for submission of periodic VAT returns in the monthly and quarterly regime be extended until the 20<sup>th</sup> of the 2<sup>nd</sup> month following the one to which the operations relate, and until the 20<sup>th</sup> of the 2<sup>nd</sup> month following the quarter of the calendar year to which the operations relate, respectively for the monthly and quarterly regime.

It is also proposed that the VAT payment deadlines in the monthly regime and quarterly regime for submitting the periodic declaration be extended until the 25<sup>th</sup> of the 2<sup>nd</sup> month / quarter following that to which the operations relate.

---

Grant Thornton Consultores, Lda. – Member firm of Grant Thornton International Ltd. ("Grant Thornton International")

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

Confidential - All rights reserved

Arquiparque II – Edifício A  
Avenida Cáceres Monteiro, n.º 10 – 5.º Esquerdo  
1495-192 Algés (Lisboa)

T. +351 214 134 630



## 2. Communication of invoice elements

It is proposed to extend the obligation to communicate the elements of the invoices issued, as well as the elements of the documents that make it possible to check goods or the provision of services and receipts, to all taxable persons who are subject to the rules for issuing invoicing in Portuguese territory under the terms of the VAT Code, which includes **not only taxable persons established in the national territory, but also in other Member States or in a third country or territory in relation to transactions with final consumers located in Portugal.**

Taxable persons established in Portugal in relation to transactions with final consumers declared under the OSS regime whose State of identification is Portugal are also obliged to issue invoices in accordance with the rules of the VAT Code.

The deadline for communicating the elements of the invoices is brought forward to the 5<sup>th</sup> of the month following the month of issuance (currently, until the 12<sup>th</sup>).

## 3. Reduced rate

It is being proposed to tax at the reduced rate, with effect from 1 July 2022:

- Cheese-like products, without milk and dairy products, made from nuts, cereals, cereal-based preparations, fruits, vegetables or vegetables (“vegan cheeses”);
- Household appliance repair services; and
- Delivery and installation of thermal and photovoltaic solar panels (the reduced rate, in this case, will only apply until June 30, 2025).

## 4. VAT exemption for COVID-19 tests and vaccines

It is proposed to extend the VAT exemption applicable to transfers, intra-Community acquisitions and imports of tests, COVID-19 vaccines and associated services, until 31 December 2022.

## 5. Security and defence of the European Union

VAT exemptions are created within the scope of the common security and defence policy of the European Union, namely in the import of goods and supply of goods and services in Portugal.

These exemptions take effect on July 1, 2022.

Depending on the case, the exemption operates directly or through a tax refund.

Intra-Community acquisitions made within the scope of the common security and defence policy of the European Union are not subject to VAT.

## IV. Tax Benefits

### 1. Tax benefits for urban buildings undergoing rehabilitation

The exemption from Municipal Property Transfer Tax in the first transmission, subsequent to the rehabilitation, to affect the lease for permanent housing or, when located in an urban rehabilitation area, also to affect the own and permanent housing, ends when:

- a) The properties are given a destination other than the one on which the benefit was based within a period of six years from the date of transfer; or
- b) The properties are not allocated to their own and permanent housing within a period of six months from the date of transfer; or
- c) The properties are not subject to the conclusion of a lease agreement for permanent housing within a period of one year from the date of transfer.

In the event that the exemption ends, the taxable person must request the Tax Authorities to settle the respective tax, within 30 days, through an official declaration form.

### 2. Exemption from Municipal Property Transfer Tax in residential buildings intended for the permanent and own housing of a taxable person with a total gross income of the household not exceeding €153,300

This exemption is automatically recognised based on the elements available to the Tax Authorities, relieving the taxable person from submitting an application until the end of the 60 days following the period of six months after the acquisition or conclusion of the construction, expansion or improvements.



### 3. Patronage tax regime – Subjection to VAT on donations

It is proposed that the threshold for exemption from consideration for goods and services for the granting of donations is increased from 10% to 25% of the amount of the donation received.

## V. Municipal Property Tax

### 1. Second evaluation of urban buildings

Whenever the taxable equity value is distorted in relation to the normal market value, the commission assesses the building and sets a new taxable equity value which is also relevant for Municipal Property Tax purposes and no longer only for PIT, CIT and Transfer Tax purposes.

## VI. Municipal Property Transfer Tax

### 1. Levy of Municipal Property Transfer Tax on entries of immovable property by shareholders

It is proposed to levy Property Transfer Tax in these operations, ensuring that they are given the same treatment applicable in the obligation of contributions of the partners for the realization of the share capital.

### 2. Levy of Municipal Property Transfer Tax in the award of real estate to partners of companies

The rule will include the award of immovable property within the scope of capital reduction and the reimbursement of ancillary contributions or other forms of compliance with obligations by said companies, in addition to the liquidation of companies.

### 3. Levy of Municipal Property Transfer Tax in the award of real estate to investment fund participants

It is proposed that the incidence of Transfer Tax also includes the award of real estate to participants as reimbursement in kind of participation units arising from the redemption of participation units, liquidation and capital reduction of closed-end real estate investment funds for private subscription.

### 4. Municipal Property Transfer Tax applicable in the transmission of partial figures of the property right and of the separate ownership of the partial figures

The determination of the rate is adjusted to the transfers indicated, and the rate corresponding only to the transferred right is applied to the taxable amount and not the rate corresponding to the overall value of the building.

## VII. Stamp Duty

### 1. Subjective exemptions

The subjective exemption from Stamp Duty, from which certain entities benefit when the tax constitutes their burden, is no longer applicable to credit institutions, financial companies, insurance and reinsurance companies or other entities legally equivalent to them.

### 2. Increase in the tax on consumer credit

During 2022, the 50% increase in Stamp Duty rates on consumer credit is maintained, in light of the disincentive to consumer credit regime, eliminating the exclusion of the increase applicable to contracts already signed and in execution on the date of entry into force of the new wording.

## VIII. Others

### 1. Tax Incentive to Recovery

The creation of the Tax Incentive for Recovery regime is proposed. This regime gives continuity to CFEI II, being applied to eligible investment expenses in tangible fixed assets, non-consumable biological assets and intangible assets that are made between July 1 and December 31, 2022.

This benefit is a deduction to the CIT due. The maximum cumulative amount of eligible investment expenses is €5,000,000 per taxable person, with the deduction being made in accordance with the following rules:

- a) 10% of eligible expenses incurred in the tax period up to the amount corresponding to the simple arithmetic average of eligible investment expenses for the three previous tax periods;
- b) 25% of eligible expenses incurred in the tax period in the part that exceeds the limit provided for in the previous



paragraph. The deduction in question is made in the IRC settlement for the tax period starting in 2022, up to 70% of the collection.

The use of the tax benefit is conditioned to the maintenance of the beneficiary company's employment contracts for three years, as well as the non-distribution of profits for the same period, in both cases the periods of three years counting from the beginning of the tax period in which eligible investment expenditure is incurred.

The amount not deducted may be deducted, under the same conditions, in the following five tax periods.

## 2. Changes to the Investment Code

### Contractual tax benefits for productive investment

It is proposed to extend the contractual tax benefits regime until 2027, adapting it to the new Community framework of guidelines on regional aid, in particular with regard to the system of notification of the tax benefit to the European Commission.

The maximum aid intensity limits are also revised, according to the new national map of regional state aid for the period from 1 January 2022 to 31 December 2027.

### Investment Support Tax Regime

Also in relation to this benefit, it is proposed to adapt the system of notifications of the tax benefit to the European Commission to the new Community framework of guidelines on regional aid.

The maximum aid intensity limits are also revised, according to the new national map of regional state aid for the period from 1 January 2022 to 31 December 2027.

## 3. Extension of the “tax holidays” regime

The regime of extraordinary deferral and suspension of deadlines for tax obligations during the month of August was extended to also include the “exercise of the right of defence in any procedures, exercise of the right to reduce fines, as well as early payment of fines” that were not included in the current version.

With this change, all tax obligations and related to the tax procedure or administrative offense process, in the administrative phase, are deferred to the first business day of September.

## 4. Extraordinary support for the implementation of the submission of the SAF-T (PT) file regarding accounting and unique document code

For the purposes of determining the taxable profit of CIT taxpayers and PIT taxable persons with organized accounting, expenses incurred from January 1, 2022 onwards with the acquisition of goods and services directly necessary for the implementation of the developments that allow ensuring the prior submission of the SAF-T (PT) file relating to accounting within the scope of IES and the ATCUD, under the following conditions:

a) 120% of the expenses recorded in the period referring to expenses of implementing the SAF-T submission related to accounting, provided that the implementation is completed by the end of the 2023 tax period;

b) In 120% of the expenses booked in the period referring to the expenses of implementing the ATCUD, provided that it appears in all your invoices and other fiscally relevant documents from January 1, 2023.

In cases where expenses are related to assets subject to deterioration, the tax benefits referred to in the previous numbers are applicable to expenses recorded related to amortization and depreciation during the useful life of the asset.

---

Grant Thornton Consultores, Lda. – Member firm of Grant Thornton International Ltd. (“Grant Thornton International”)

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.

Confidential - All rights reserved

Arquiparque II – Edifício A  
Avenida Cáceres Monteiro, n.º 10 – 5.º Esquerdo  
1495-192 Algés (Lisboa)

T. +351 214 134 630

