NEWSLETTER

State Budget Proposal 2025

I. Personal Income tax (PIT)

1. Productivity and performance bonuses, profit-sharing and balance-sheet bonuses - Article 19-B of the Tax Benefits Statute (EBF)

It is proposed the introduction of an exemption from personal income tax, up to a limit of 6% of the employee's basic annual salary, for sums paid or made available to the employee or members of statutory bodies in 2025, borne by the employer, on a voluntary and non-regular basis, as productivity bonuses, performance bonuses, profit-sharing and balance-sheet bonuses.

The application of this exemption depends on whether, in the year 2025, the employer paying the aforementioned sums has made an eligible salary increase for the purposes of article 19-B of the EBF.

The income tax return to be issued annually for the year 2025 by the employer paying these sums must expressly mention compliance with the salary increase condition laid down in Article 19-B of the EBF.

The withholding rate to be applied to these sums is that corresponding to the monthly remuneration for dependent work for the month in which it is paid or made available.

These amounts, when complying with the above conditions, are excluded from the contribution base of the Social Security Contribution Schemes.

2. Meal allowance - article 2 of the PIT Code

It is proposed to increase the legal limit from 60% to 70% of the meal allowance paid through meal vouchers.

In terms of values, from 9.60 euros to 10.20 euros (assuming a cash limit of 6 euros).

3. Young PIT Regime - article 12 - B of the PIT Code

It is proposed to change the youth personal income tax regime to apply to all taxable persons (not considered as dependents) up to the age of 35 (previously between the ages of 18 and 26, with a secondary education course to pursue higher education studies and with a minimum professional internship of 6 months, and up to the age of 30 in the case of a doctoral study course).

It is proposed that it be applied in the first 10 years of earning income (previously in the first 5 years after completing the study cycle).

It is also proposed to change the exemption over the period to 10 years. The full exemption (100%) for the first year of income has been maintained.

The application of the 75% exemption is extended between the second and fourth year of income (previously only in the second year).

The application of the 50% exemption between the fifth and seventh year of income is extended (previously only in the third and fourth).

The application of the 25% exemption is extended between the eighth and tenth year of income (previously only in the fifth year).

It is proposed that the exemption limit be 55 times the IAS (IAS 2024= 509.26 x 55 = 28,009.30 euros, with the respective update to the IAS applicable in 2025), applicable to all years of exemption.

Previously, 40 times the IAS for the first year's exemption, 30 times the IAS for the second, 20 times the IAS for the third and fourth and 10 times the IAS for the fifth year.

It is also proposed to revoke the limitation on the taxable person's use of this exemption to one time only, and for schools to no longer be required to communicate their study cycles, given that this condition will be eliminated.

Finally, it is proposed that the young PIT cannot be applied to taxable persons who have benefited from the non-habitual resident regime (NHR), the new tax incentive regime for scientific research and innovation (which replaced the NHR), the ex-resident regime, and whose tax situation has not been regularized.

For the purposes of withholding tax, it is proposed to amend article 99-F (5) of the PIT Code, removing the need to prove completion of a course of study, and replacing it with the need to inform the entities responsible for the income of the year in which the income was obtained for the purposes of applying the aforementioned PIT exemptions.

For the purposes of applying article 12-B of the PIT Code, taxpayers fall under the exemption percentage for the year following the number of years in which they have already obtained income from categories A or B, not considering for these purposes the years in which they were considered dependent.

4. Income from dependent work: deductions - article 25 of the PIT Code

It is proposed to change the fixed specific deduction for category A IRS from 4,104 euros to 8.54 times the IAS ((IAS 2024= 509.26 x 8.54 = 4,349.08 euros, with the respective update to the IAS applicable in 2025).

The same proposed amount of fixed specific deduction is applied to pension income (category H), with the proposed amendment to article 53(1) of the PIT Code.

5. General rates - article 68 of the PIT Code

It is proposed to update the PIT rate brackets, with no change to income rates, as a measure to mitigate the inflationary effect.

Income taxable (euros)	Rates (percentage)	
	Normal (A)	Average (B)
Up to 8 059	[...]	[...]
From over 8,059 to 12,160	[...]	[...]
From over 12,160 to 17,233	[...]	[...]
From over 17,233 to 22,306	[...]	[...]
From over 22,306 to 28,400	[...]	[...]
From over 28,400 to 41,629	[...]	[...]
From over 41,629 to 44,987	[...]	[...]
From over 44,987 to 83,696	[...]	[...]
Over 83,696	[...]	

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

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6. Existence minimum - article 70 of the PIT Code

It is proposed to change the reference value of the minimum subsistence level, merely updating the inflationary effect.

7. Tax-free rates - article 71 of the PIT Code

It is proposed to increase from 50 to 100 hours of overtime work covered by the non-application of the 25% withholding tax on income obtained by non-residents who work or provide services for a single entity.

8. Autonomous taxation rate - article 73 of the PIT Code

It is proposed to increase the value of the acquisition of light passenger or mixed vehicles subject to autonomous taxation in PIT category B from 20,000 to 30,000 euros.

It is also proposed that shows given in the country or abroad to clients or suppliers or any other persons or entities should not be subject to the 10% autonomous taxation of category B of PIT.

9. Application of withholding tax to category A - article 99 - C of the PIT Code

It is proposed that the rate of withholding tax on overtime work should be 50% of the rate applicable to the monthly remuneration for dependent work for the month in which it is paid or made available. Previously, this 50% reduction was only applied from the 101st hour of overtime, inclusive.

10. Withholding on income from other categories - article 101 of the PIT Code

It is proposed to reduce the withholding tax rate (from 25% to 23%) for income in category B of the Personal Income Tax (PIT) arising from professional activities specifically provided for in the table annexed to the PIT Code.

11. Payments on account - article 102 of the PIT Code

It is proposed to reduce the rate for calculating payments on account in category B of the PIT from 76.50% to 65%, applicable to the proportion of the collection in the penultimate year.

II. Tax benefits

1. Incentive to increase wages - article 19 - B of the Tax Benefits Statute

Significant changes are proposed to this incentive, namely:

- Increase: the tax deduction for salary increases from 150% to 200%;

- Wage increases: demand for a 4.7% increase in the average annual basic (and no longer fixed) salary per worker and an average increase in the average annual basic salary of workers. The demand to maintain or reduce the salary range is repealed;

- Eligible expenses: the concept of remuneration has been changed to the legal concept of basic salary (in addition to the employer's social security contributions). All charges defined in this way are eligible, not just those that exceed the RMMG;

- Eligible expenses limit: 5 RMMG (expenses resulting from the updating of this value will not be considered);

- IRCT: it is now expressly stated that the concept refers to the legal-labor definition contained in the Labor Code.

2. Incentives for the recapitalization of companies - Article 43-B of the Tax Benefits Statute

It is proposed to extend the application of this tax benefit to contributions for the recapitalization of companies and the sale of stakes in companies or other entities, regardless of whether they meet the condition set out in Article 35 of the Companies Code (loss of half the share capital). The benefit consists of a 20% PIT deduction on the contributions or balance of capital gains and losses.

This benefit does not apply to entries into entities subject to supervision by the Bank of Portugal or the Insurance and Pension Funds Supervisory Authority, or branches in Portugal of credit institutions, other financial institutions or insurance companies.

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3. Tax regime to encourage the capitalization of companies - article 43 - D of the Tax Benefits Statute

An increase in the interest rate spread from 1.5 to 2 percentage points is proposed, applicable to all entities and not just Small Mid Cap companies.

It is proposed that the following tax benefits be extended until December 31, 2025:

- Deductions under social impact bond partnerships;
- Tax incentives for forestry activities;
- Forest management entities and forest management units;
- Electrosolar or exclusively electric boats.

III. Corporate Income Tax (CIT)

1. Achievements of social utility - article 43 of the CIT Code

A 20% surcharge is proposed on expenses incurred with workers' health insurance, which are deductible for the purposes of determining taxable profit under the terms of Article 43(2) of the CIT Code.

2. Fees - article 87 of the CIT Code

It is proposed to reduce the nominal corporate income tax rate by 1 percentage point, from 21% to 20%.

In addition, it is also proposed to reduce by 1 percentage point the nominal corporate income tax rate applicable to the first 50,000 euros of taxable income of micro and SMEs and Small Mid Cap.

3. Autonomous taxation rates - article 88 of the CIT Code

It is proposed to reduce the rates of autonomous taxation for light passenger vehicles and class N1 vehicles:

Acquisition Value (AV)	Current Wording	SB 2025 Proposal
AV < 27.500€	8,5%	-
AV < 37.500€	-	8%
27.500€ < AV < 35.00€	25,5%	-
27.500€ < AV < 45.00€	-	25%
> 35.00€	32,5%	-
> 45.00€	-	32%

In addition, it is proposed that shows given in the country or abroad to clients or suppliers or any other persons or entities should not be subject to a 10% autonomous tax.

By way of **transitional provisions**, it is proposed that the increase of 10 percentage points in the rates of autonomous taxation in the event of tax losses provided for in Article 88(14) of the CIT Code shall not apply in the 2025 tax period when:

- The taxable person has obtained taxable profit in one of the three previous tax periods (2022, 2023 and 2024) and the reporting obligations for submitting Form 22 and IES for the two previous tax periods (2023 and 2024) have been fulfilled within the legal deadline;
- These correspond to the tax period in which the business began or to one of the two following periods.

4. Extraordinary support scheme for costs incurred in agricultural production

It is proposed to extend the extraordinary support scheme for costs incurred in agricultural production until December 31, 2025.

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IV. VAT

1. VAT refund - Decree-Law no. 84/2017

It is proposed to include entities that own forestry sappers that are part of the Integrated Rural Fire Management System, when they are unable to exercise their right to deduct VAT, in the VAT refund scheme provided for in the aforementioned law.

2. Legislative authorization

The Government is hereby authorized to amend item 2.18 of List I annexed to the VAT Code, approved by Decree-Law no. 394-B/84, of December 26, in its current wording, in order to i) provide that the construction or rehabilitation contracts for housing properties covered are defined according to criteria established by the members of the Government responsible for the areas of finance and housing; and ii) exclude from the scope of application of the reduced rate the services referred to in the preceding paragraph relating, in whole or in part, to housing properties whose value exceeds the limit compatible with the pursuit of the Government's social housing policies.

3. VAT exemption - article 4 of Law 10-A/2022, of April 28 - Taxation of goods for agricultural production and pets

The VAT exemption provided for in Article 4 of Law 10-A/2022 of April 28 is extended until December 31, 2025.

V. Stamp Duty

1. Data transmission between IRN, IGCP and AT - article 63 - B of the Stamp Duty Code

It is proposed that data be transmitted between the Instituto dos Registos e do Notariado, I.P (IRN), the Agência de Gestão da Tesouraria e da Dívida Pública - IGCP, E.P.E. (IGCP) and the Autoridade Tributária (AT) in order to put an end to disputes over claims by heirs to the public debt securities and certificates of those who have inherited.

Thus, from 2025 onwards, the IRN will have to inform the IGCP of the deaths of holders of securities and certificates and, subsequently, the IGCP will exchange this information with the AT, which in turn will inform the IGCP of compliance with the Stamp Duty Model 1 report.

2. Extension of tax benefits

The following tax benefits are extended until December 31, 2025:

- Stamp duty exemption on capital and guarantees within the scope of renegotiating mortgage loans, in the event of a change in the term resulting in tax payable, depending on the applicable rate differential, extension of the term and conclusion of a new credit agreement, within the scope of the legal mortgage loan regime, to refinance the debt.
- Stamp duty exemption on the capital, within the scope of operations to temporarily fix the installment and capitalize the amounts deferred in the value of the loan for credit contracts for the purchase or construction of a permanent home.

VI. Municipal Property Transfer Tax (IMT)

1. Fees - article 17 of the IMT Code

It is proposed to update the IMT values by 2.3% in the IMT tables for own and permanent housing, Youth IMT and housing.

VII. Municipal Property Tax (IMI)

1. Buildings with low asset value owned by low-income taxpayers - Article 11-A of the IMI Code

It is proposed to increase the maximum limits for the IMI exemption provided for in Article 11-A of the IMI Code, namely:

- An increase equivalent to 2.3 x 2IAS of the maximum limit that the household's maximum total gross income cannot exceed; and
- Increase equivalent to 10 x 2 IAS of the maximum limit that the sum of the VPT of the rural and urban properties belonging to the household cannot exceed.

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If the taxable person ceases to be a member of the household in the year to which the exemption relates (and not in the year of the exemption request), the income referred to in the first option must be calculated individually. These rules apply to taxable events relating to the years 2023 and onwards.

2. Low-value buildings owned by low-income taxpayers - article 46 of the Tax Benefits Statute

It is proposed that the three-year exemption from IMI, applicable to buildings or parts of buildings that are newly built, extended, improved or acquired for a consideration and that are rented out, should only apply if the property is intended for the tenant's permanent home.

VIII. Extraordinary Contributions

1. Contribution on light and very light plastic bags

It is proposed that the levy on lightweight plastic bags, provided for in Law no. 82-D/2014, of December 31, be amended so that it is also levied on “very lightweight plastic bags”, which are understood to be those acquired in the bulk sale of bakery products, fresh fruit and vegetables.

IX. Extensions of tax obligations

1. Communication of valued inventories

It is proposed that they be exempt from the obligation to report valued inventories:

- All taxable persons, for the tax period beginning on or after January 1, 2024;
- Taxpayers who are not required to keep a permanent inventory, for the tax period beginning on or after January 1, 2025.

2. SAF-T accounting

The submission of the SAF-T (PT) file relating to accounting for the purposes of filling in Annexes A and I of the IES is applicable to the 2026 and subsequent periods, to be submitted in 2027 or subsequent periods.

3. Invoices in pdf

Until December 31, 2025, invoices are accepted as PDF files and are considered electronic invoices for all the purposes of tax legislation.

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