

STATE BUDGET 2023

PROPOSAL FOR PORTUGAL

PERSONAL TAXATION

KEY TAKEAWAYS (1/2)



TAXATION OF CRYPTO

- The Government proposes to start taxing short term (held less than 1 year) sale of crypto under capital gains tax, levied at 28%.
- In turn, operations related to the issuance of crypto, including mining, or the validation of crypto transactions through consensus mechanisms, will now be assimilated to business income and consequently be taxed at progressive rates between 14% and 53% (tax base will depend on the chosen taxation regime).
- Lastly, fees and commissions charged for intermediation by crypto service providers will be subject to a 4% Stamp Duty to be borne by the client.

YOUNG WORKERS TAX RELIEF 3.0

- The Government proposes to further enhance the exemption threshold of its Young Workers Tax Relief Program (which provides for a partial tax exemption of the first years of income after graduation) as follows:



Temporal scope	Currently	State Budget 2023
1st year	30% (max 7,5 x IAS)	50% (max 12,5 x IAS)
2nd year	30% (max 7,5 x IAS)	40% (max 10 x IAS)
3rd year	20% (max 5 x IAS)	30% (max 7,5 x IAS)
4th year	20% (max 5 x IAS)	30% (max 7,5 x IAS)
5th year	10% (max 2,5 x IAS)	20% (max 5 x IAS)

IAS 2022 = 443,20
IAS 2023 = 478,70

TAX RELIEF ON OVERTIME

- The Government proposes to decrease taxation on overtime in two ways:
 1. Withholding tax exemption on the first 50h of overtime when paid to non-resident workers;
 2. A 50% reduction on the withholding tax applicable to overtime past the 101 hour mark.



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KEY TAKEAWAYS (2/2)



TAX ALLOWANCE PER CHILD 2.0

- 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 now apply the same tax allowance - i.e. € 300 (€ 150 in case of shared parental responsibilities) - for the second and subsequent children, if they are between 3 and 6 years old (previously the tax allowance was € 150 and € 75 respectively)

NEW TAX BRACKETS

- The brackets to the general Personal Income Tax rates table are updated in 5.1% to close the gap with inflation:



Income (€)	Normal Rate	Average Rate
Up to 7.116 (now 7.479)	14,50%	14,500%
From more than 7.116 (now 7.479) to 10.736 (now 11.284)	23,00%	17,366%
From more than 10.736 (now 11.284) to 15.216 (now 15.992)	26,50%	20,055%
From more than 15.216 (now 15.992) to 19.696 (now 20.700)	28,50%	21,967%
From more than 19.696 (now 20.700) to 25.076 (now 26.355)	35,00%	24,770%
From more than 25.076 (now 26.355) to 36.757 (now 38.632)	37,00%	28,657%
From more than 36.757 (now 38.632) to 48.033 (now 50.483)	43,50%	32,141%
From more than 48.033 (now 50.483) to 75.009 (now 78.834)	45,00%	36,766%
More than 75.009 (now 78.834)	48,00%	

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CORPORATE TAXATION

KEY TAKEAWAYS (1/2)

TAX LOSSES CARRIED FORWARD INDEFINITELY



- The Government proposes to allow tax losses to be carried forward (meaning to be offset against future taxable profits) indefinitely (previously there was a 5-year limit for SME and a 12-year limit for non-SME).
- On the flipside, tax losses can now only be offset against 65% of each year's tax profit (the same limit was previously 70%).

TAX RELIEF FOR SME AND SMALL MID CAP

- The first € 50.000 of taxable profit generated by SME and Small Mid Cap are now taxed at the lower 17% CIT rate (previously the same rate only applied to the first € 25.000 of profit).



CAPITALIZATION TAX INCENTIVE

- The Government proposes to revoke the two capitalization incentive regimes current in force (DLRR and Share Capital Estimated Return) and exchange it for a 10-year annual tax deduction of 4,5% (5% if SME) of the company's equity net increase (capped at 30% EBITDA or € 2 million, whichever is highest).
- The deduction will be halted in the tax years in which the company has a net decrease in equity, but without any associated penalty.



SALARY INCREASE ALLOWANCE

- Government proposed to allow for an increased tax deduction of 150% on relevant salary increases (more than 5,1%) determined by a labor collective bargaining instrument, provided that certain requirements are met, up to a cap of 4% the monthly minimum wage.



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PROPOSAL FOR PORTUGAL

CORPORATE TAXATION

KEY TAKEAWAYS (2/2)



ELECTRIC CARS ARE NOW TAXED

- Tax deductible expenses related to electric cars (e.g., insurance, depreciation, repair, supply, rent, etc..) are now subject to expenditure taxation at a rate of 10% for vehicles with purchase price over € 62.500.

EXPENDITURE TAXATION

- The transitory provision that waives the application of the increase in expenditure taxation for companies with tax losses is maintained for 2022 and 2023, when the company has started activity in the mentioned years or has obtained taxable income in one of the three previous tax periods (having also timely and successfully submitted all mandatory tax returns).



ENERGY EXPENSES

- The Government proposed to allow for an increased tax deduction of 120% on all expenses and losses incurred or supported related to electricity and natural gas consumption in the part to the extent that they exceed those of the previous taxation period, deducted of any public subsidies received.



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PROPOSAL FOR PORTUGAL

INDIRECT TAXATION

KEY TAKEAWAYS (1/1)



NO NEWS IN VAT

- For the first time in many years there are no changes proposed in VAT

VEHICLES TAXATION INCREASES IN LINE WITH INFLATION

Circulation Tax (IUC)	4% increase
Tax on Vehicles (ISV)	4% increase



* Additional to IUC remains the same

HIGHER REFUNDS IN EXCISE DUTIES ON PROFESSIONAL USE DIESEL AND GAS

- Portugal partially refunds excise duties paid on professional use diesel
- This regime is extended to professional gas and widened, on professional use diesel, to collective passenger transport (previously, only heavy goods vehicles benefited)



CARBON NEUTRAL BY 2050

- Gradual elimination of the ISP (Excise Duties on Oil and Energetic products) and carbon tax exemptions applicable to some fossil fuels used in the production of electricity, cogeneration and city gas
- Due to the current economic context, ISP over natural gas is suspended in 2023 (to return in 2024)



STATE BUDGET 2023

- The [Proposal](#) was presented to National Parliament on 10.10.2022
- Final vote is scheduled for 25.11.2022
- State Budget is expected to enter into force as of 01.01.2023