FEBRUARY 2025

GUIDE

State Budget Law 2025

Measures impacting companies

Law 45-A/2024 of December 31

CUATRECASAS

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1. Introduction

This guide to the State Budget Law 2025 (Law 45-A/2024 of December 31) provides a detailed overview of the main tax measures and incentives introduced by the Portuguese Government that impact companies directly.

Barring a few reformulations and adjustments, the State Budget Law 2025 largely confirms most of the measures proposed in the initial State Budget Proposal. Notable changes include the **extraordinary support scheme for electricity and gas costs** and the **incentive for company recapitalization**, which garnered significant consensus during parliamentary discussions. However, there was less agreement on the reduction of the **nominal corporate income tax ("CIT") rate**, which was a major point of debate**.**

This guide is not an analytical document—rather, it is an easy-to-use tool for companies to understand and benefit from the new tax provisions and incentives in the State Budget Law 2025. However, further in-depth analysis may be needed for specific applications.

Lisbon, February 15, 2025

2. Measures impacting companies

2.1 Reduction of CIT rate

- The CIT rate will be reduced by one percentage point as follows:

From 21% to 20% for the general rate.	From 17% to 16% for small and medium-sized enterprises and small mid caps on the first €50,000 of taxable income.

2.2 Reduction of autonomous taxation (*tributação autónoma*) rates and increase in acquisition cost limits

- The autonomous taxation rates for expenses incurred or borne related to light passenger vehicles, certain light goods vehicles, motorcycles, or mopeds will be reduced as follows:

From 8.5% to 8% for vehicles with an acquisition cost of less than €37,500.	From 25.5% to 25% for vehicles with an acquisition cost of between €37,500 and €45,000.	From 32.5% to 32% for vehicles with an acquisition cost of €45,000 or more.

- The acquisition value limits used to determine the applicable rate have been increased by €10,000, resulting in a greater reduction in autonomous taxation costs.
- Also, expenses incurred for shows provided to clients or suppliers are no longer considered entertainment expenses and are not subject to autonomous taxation.
- Lastly, the State Budget Proposal 2025 once again provides for no increase in autonomous taxation for taxpayers who report a fiscal loss, provided certain conditions are met related to (i) the period the activity started, (ii) the achievement of taxable profit in one of the three previous tax periods, and (iii) compliance with reporting obligations.

2. Measures impacting companies

2.3 Productivity and performance bonuses, profit sharing, and balance-sheet bonuses

- The State Budget establishes an exemption from personal income tax (“**PIT**”) and exclusion from social security contributions, up to a limit of 6% of the employee's basic annual salary, for amounts paid or made available to employees or members of corporate bodies in 2025. These amounts, borne voluntarily and on a non-regular basis by the employer, include productivity and performance bonuses, profit sharing, and balance-sheet bonuses.
- This exemption is contingent upon the employer having provided a salary increase in 2025 that qualifies for the tax incentive for salary increases established in article 19-B of the Tax Benefits Code(4.7% and subject to certain conditions).
- The employer must explicitly state compliance with this condition in the annual income statement, which it must provide to the employee by January 20, 2026.
- The PIT withholding tax rate to be applied is that corresponding to the monthly remuneration for dependent work for the month the payment is made or made available.

2.4 Health insurance

- Expenses incurred for health or sickness insurance for the benefit of employees, pensioners, or their families, as a form of social welfare, will increase by 20%.

2.5 Meal allowance in card form

- The non-taxable meal allowance amount, when provided as meal vouchers, will be increased to a daily amount of €10.20 (currently €9.60). Consequently, only the portion exceeding the legally established limit by 70% (instead of the current 60%) will qualify as employment income (currently €6).

2. Measures impacting companies

2.6 Tax incentives for salary increases

- The State Budget once again reformulates the tax incentive for salary increases and simplifies its application criteria, aligning certain concepts with those defined by labor legislation.
- Key amendments to the tax benefit include the following :

The costs have been increased from 50% to 100%.

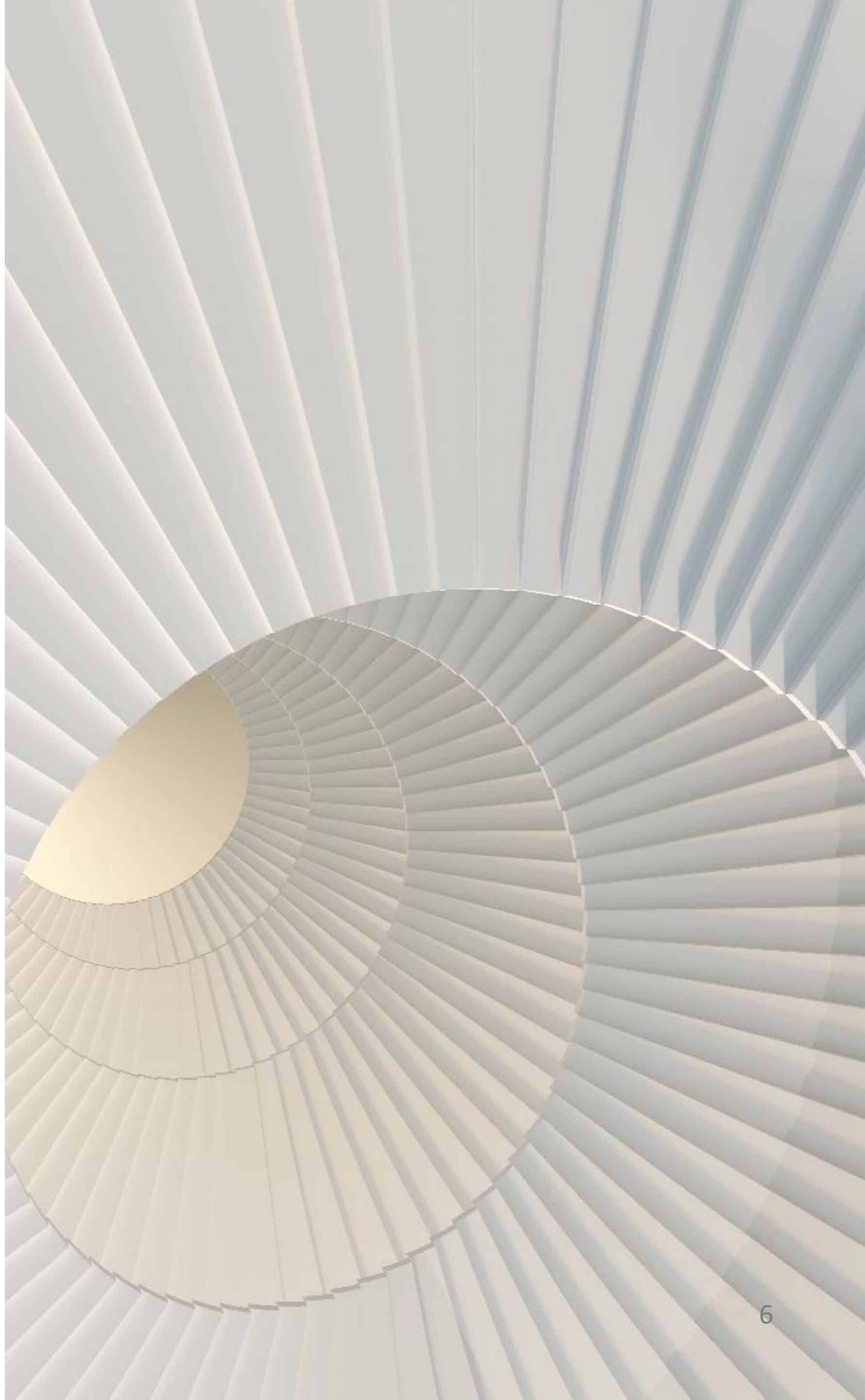
The salary increase requirement has been reduced from 5% to 4.7%.

The possible annual increase has gone from four to five times the Guaranteed Minimum Monthly Salary (RMMG).

- The benefit is now contingent upon an increase in the company's average annual basic salary and the annual basic salary of employees earning an amount equal to or less than the average basic salary.
- The separate definitions of concepts for applying the benefit have been reduced and replaced by direct references to the Portuguese Labor Code. For example, the previous concept of fixed remuneration has been replaced by the basic remuneration concept as established in article 258 of the Portuguese Labor Code, and the concept of dynamic collective bargaining instrument (IRCT) will follow the definition provided in article 2 of the Portuguese Labor Code.
- Although companies that increase the salary range of employees compared to the previous year are still excluded from the benefit, the concept of salary range has been eliminated.

2.7 Incentivizing company capitalization

- The taxable income deduction for net increases in eligible equity is now calculated using the 12-month Euribor rate, plus a spread that has increased from 1.5 to 2 percentage points. This tax benefit is calculated uniformly for all companies.
- Also, in 2025, the deduction will increase from 30% to 50%, subject to the applicable limits on this tax benefit.



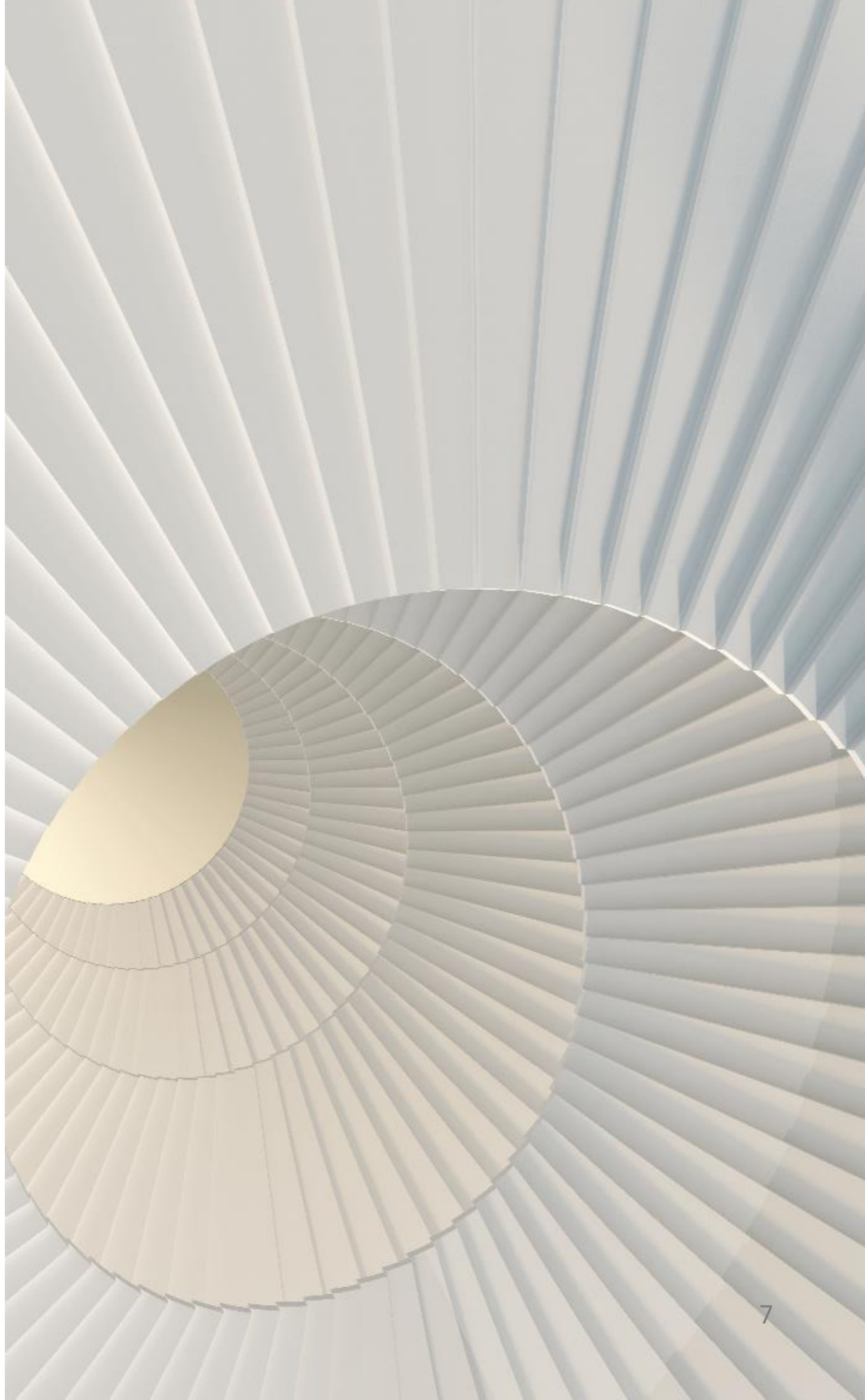
2. Measures impacting companies

2.8 Incentivizing company recapitalization

- Taxpayers subject to PIT who make cash capital contributions to a company in which they hold a stake can deduct up to 20% of these contributions from the gross amount of profits made available by that company, or, if the stake is sold, from the difference between the realized capital gains and losses, in accordance with article 10.1.b) of the PIT Code.
- This regime now applies even if there is no loss of half of the company's share capital, according to article 35 of the Portuguese Companies Code, which was a requirement under the previous wording.
- The deduction continues to apply when calculating taxable income for the year the contributions were made and for the following five years.
- However, the incentive no longer applies to contributions made to entities under the supervision of the Bank of Portugal, the Insurance and Pension Funds Supervisory Authority, or branches in Portugal of credit institutions, other financial institutions, or insurance companies.

2.9. Other matters

- **PDF invoices:** Until December 31, 2025, invoices in PDF format will continue to be accepted and considered electronic invoices for all purposes under tax legislation.
- **SAF-T (PT) for accounting:** The obligation for taxpayers to submit the SAF-T has been postponed and will now apply to periods starting from 2026 onwards, with submissions to be made in 2027 or subsequent periods.
- **Stock valuation:** Taxpayers are exempt from the stock valuation obligation for the tax period starting on or after January 1, 2024. Also, taxpayers who are not required to maintain permanent stock records are exempt from this obligation for the tax period starting on or after January 1, 2025.



2. Measures impacting companies

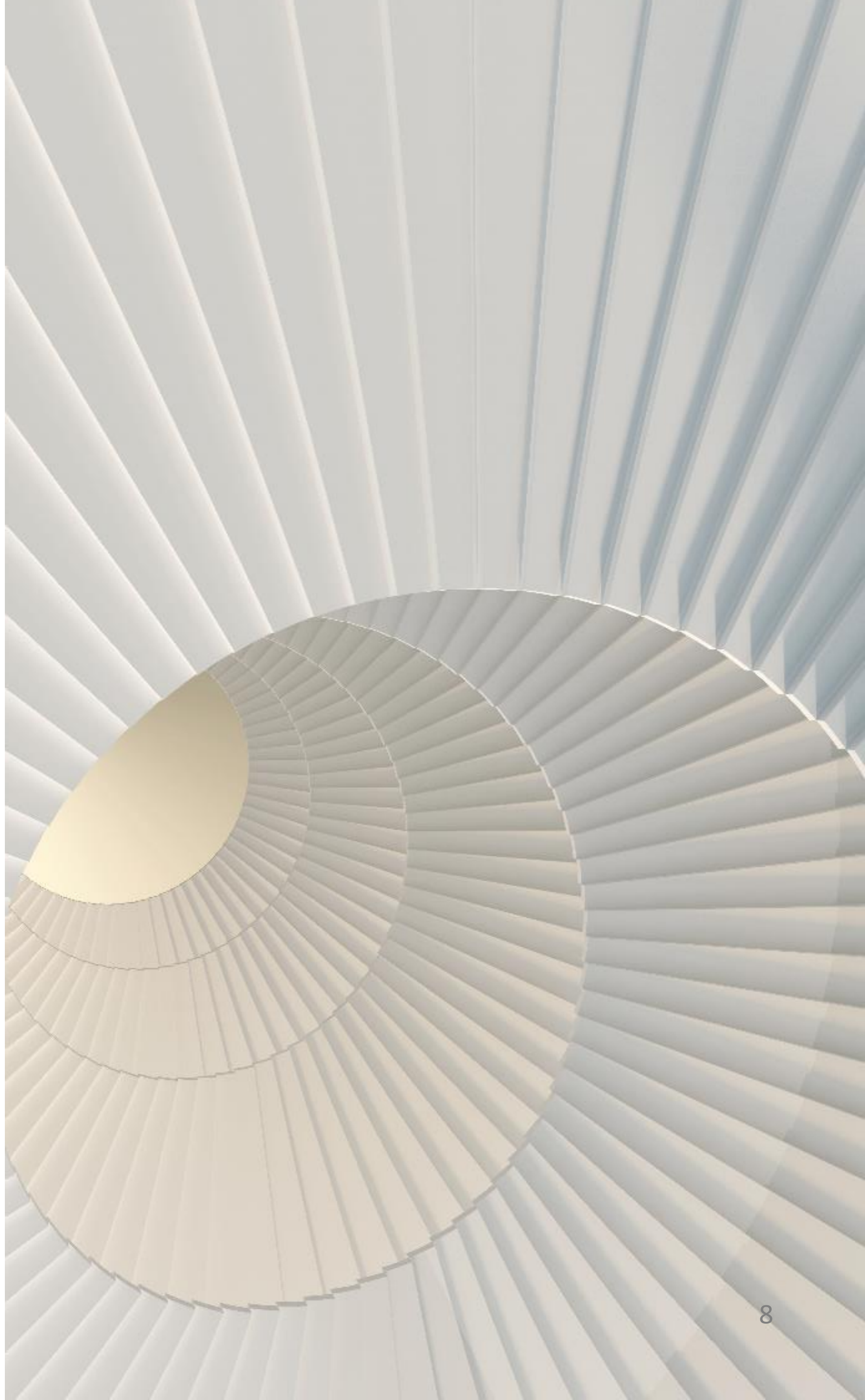
2.10. Extraordinary support scheme for agricultural production costs

- The extraordinary support scheme for costs incurred in agricultural production under CIT remains in effect for the 2025 fiscal year. The scheme allows for a 40% increase in the costs and losses incurred or borne in acquiring certain goods related to agricultural production (e.g., fertilizers, meals, cereals, and seeds for feeding livestock, poultry, and other animals).
- The value-added tax (“**VAT**”) exemption for the transfer of fertilizers, soil improvers, and other products for feeding livestock, poultry, and other animals used in agricultural production has been extended until December 31, 2025. These transactions grant the right to deduct the VAT levied on goods or services acquired, imported, or used by the taxpayer to carry them out.

2.11. Extension of tax benefits

- Tax benefits related to the following have been extended until December 31, 2025:

Deductions relating to social impact bond partnerships	Tax incentives for forestry activities	Forest management entities and forest management units	Solar and electricity-powered or electric-only vessels



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