



2016 Portuguese State Budget

Law 7-A/2016, which approved the 2016 Portuguese State Budget (**2016 State Budget**), was recently published. Among others changes, we highlight the following:

Under the 2016 State Budget, the minimum holding percentage required to benefit from the participation exemption is now of 10%.

The same percentage is now required to benefit from the stamp duty exemption applicable to shareholders' loans.

Personal income tax (PIT)

Apart from a few adjustments in the income tax brackets and the amendment of the rules applicable to the taxation of couples, the main change was the proportional reduction of the 3.5% surcharge over income brackets below €80,000 in 2016 and its full removal in 2017 pursuant to Law 159-D/2015.

Participation exemption

The minimum shareholding required to benefit from the participation exemption was increased from 5% to 10% and the minimum holding period was reduced from 24 to 12 months. The same requirements apply to benefit from tax credits.

Carry-forward tax losses

The period to carry forward tax losses was reduced from 12 to 5 years. This rule will apply to tax losses recorded as of 1 January 2017. However, certain small and medium-sized enterprises (SMEs) will continue benefiting from the 12 year period.

Reporting and ancillary duties

Multinational groups that record consolidated income not lower than € 750 million will be subject to additional reporting obligations, including a duty to file a special financial and tax information statement.

The mandatory minimum period to keep accounting records and documentation was reduced from 12 to 10 years.

Value added tax (VAT)

As of 1 July 2016, the intermediate VAT rate (13%) will apply to food and beverage services, including take away and home delivery services. Alcoholic drinks, soft drinks, juices, nectars and carbonated water will remain subject to the general rate (23%).

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The 2016 State Budget reduces the maximum IMI rate for urban buildings while increasing stamp and other excise duties.

Property tax (IMI)

The maximum IMI rate applicable to urban buildings is reduced from 0.5% to 0.45% and urban buildings allocated to permanent residency may benefit from a deduction between €20 and €75 taking into account the number of dependants.

Property transfer tax (IMT)

IMT will be charged over the acquisition or redemption of units in close-ended real estate investment funds subject to private placement if as a result of these transaction a single person (or two, if spouses or civil partners) becomes the holder of at least 75% of the units.

Stamp duty (SD)

Shareholders' loans ceased to be SD exempted whenever the stake held by the lender is lower than 10%.

In addition, SD rates over consumer credit are increased in 50% until 31 December 2018 and payment card fees will be subject to 4% SD.

Excise duties

The 2016 State Budget increases several excise duties, such as:

- Car circulation duty;
- Car purchase duty;
- Oil and power duty;
- Alcohol and alcoholic beverages duties; and
- Tobacco duty.

Banking sector special contribution

The maximum rate of the banking sector special contribution is increased from 0.085% to 0.110%. This contribution will now extend to branches of credit institutions based in European Union countries.

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