

AMENDMENTS TO TAX BENEFITS

CONTENTS

1. Tax Benefits Code
2. Investment Tax Code
3. Stamp Duty
4. Vehicles and Circulation Taxes
5. Corporate Income Tax

CONTACTS

ANDRÉ VASQUES DIAS

ADIAS@MACEDOVITORINO.COM

JOÃO COMENDA ANTÓNIO

JCOMENDA@MACEDOVITORINO.COM

Law 21/2021 introduced several amendments to the Tax Benefits Code, the Stamp Duty Code, the Investment Tax Code, the Vehicles and Circulation Tax Codes. It also created an extraordinary measure for counting deadlines within the scope of Corporate Income Tax (“CIT”).

The application of these measures, unless otherwise specified, are retroactive to 1 January 2021.

In this newsletter we analyze the main tax changes introduced by the Diploma.

1. TAX BENEFITS CODE

The main changes to the Tax Benefits Code are as follows:

- **Extension of certain tax benefits:**
 - Tax benefits to the financial system and capital markets, sponsorship and others: 31 December 2025 (with retroactive effect from 1 January 2021);
 - Tax benefits relating to intellectual property income: 31 December 2021 (with retroactive effect from 1 January 2020);
 - Tax benefits relating to the Madeira Free Trade Zone and the Santa Maria Free Trade Zone: 31 December 2027 (with retroactive effect from 1 January 2021).
- **Madeira Free Trade Zone.** The income of entities licensed to operate in the Madeira Free Trade Zone from 1 January 2015 up to 31 December 2021 are subject to CIT until 31 December 2027, at a 5% rate. This benefit is, however, subject to one of the following applicable annual limits:
 - 20,1% of the annual gross value added generated in the Autonomous Region of Madeira;
 - 30,1% of the annual labor costs incurred in the autonomous region of Madeira; or
 - 15,1% of the annual turnover generated in the autonomous region of Madeira.
- **Other benefits:**
 - Income paid by collective investment undertakings to their unitholders will now be excluded from the tax benefit limitation rule;
 - Interest and rents payable in connection with loans and industrial, commercial or scientific equipment leases granted by non-resident entities will be exempt from PIT and CIT without the need of prior approval of the Minister of Finance;
 - Entities managing designations of origin and geographical indications of wines, vinegars, spirit drinks of vinic origin and aromatized wine products recognized under the terms of the applicable legislation will be exempt from CIT.

Portugal extends Madeira Free Trade Zone Tax Benefits to Licensed Entities until 31 December 2021.

The regime only applies to income and gains, attributable to the activity carried out by the licensed entity through an adequate corporate structure located in the Autonomous Region of Madeira.

2. INVESTMENT TAX CODE

The deadline for contractual tax benefits and regional state aid, in accordance with the national state aid map, is extended until 31 December 2021.

3. STAMP DUTY

The Stamp Duty Code now provides for an exemption from Stamp Duty on the report of securities or equivalent rights carried out on a regulated market or multilateral or organized trading system, as well as on report and financial guarantees carried out by financial institutions, namely by credit institutions and financial companies, with the intermediation of central counterparties.

4. VEHICLES AND CIRCULATION TAX CODE

They are revoked with effect from 1 July 2021:

- **ISV exemption.** Light goods vehicles with open, flat, or closed boxes, which do not have a cabin integrated into the body, with a gross weight of 3500 kg, without four-wheel drive are now exempt from payment of ISV;
- **Circulation Tax Code.** The exemption from payment of 50% of the single circulation tax for category D vehicles has been revoked.

5. CORPORATE INCOME TAX CODE

Is suspended, during the 2020 tax period and during the following tax period, with retroactive effect from 1 January 2020, the computation:

- The deadline for reinvestment of the realization values;
- The deadline for deducting from taxable income expenses that could not be deducted in the period to which they relate, due to insufficient taxable income, regarding research and business development expenses in the Autonomous Region of Madeira.

© MACEDO VITORINO

This information is provided for general purposes only and does not constitute professional advice.