

THE PORTUGUESE ENERGY WINDFALL PROFITS' TAX LAW

The new windfall profits' tax will result in a 33% surplus to CIT on all profits exceed 20% the last four years' average for all crude oil, natural gas, coal, and refining established in Portugal.

CONTACTS

JOÃO MACEDO VITORINO

JVITORINO@MACEDOVITORINO.COM

FREDERICO VIDIGAL

FVIDIGAL@MACEDOVITORINO.COM

JERÓNIMO CAROLA

JCAROLA@MACEDOVITORINO.COM

The Portuguese [windfall profits' tax law](#) has finally been approved last week by the Portuguese Parliament, confirming that:

- The new tax will fall on the excess profits registered in taxable periods beginning in 2022 and 2023,
- Excess profits will include the part of the taxable profits exceeding a 20 % increase in relation to the average taxable profits in the four preceding tax periods;
- The tax subjects will be companies in the crude oil, natural gas, coal and refining sectors with residence or permanent establishment in Portugal. Will be deemed to have residence or permanent establishment in Portugal those companies who exercise in the Portuguese territory its activity, in whole or in part, through a permanent installation and whose profits are subject to corporate income tax.;
- A tax rate of 33 %, will apply, along the same lines as proposed by the European Commission; and
- There will be an exemption from this tax for micro and small companies not integrating tax groups with sales exceeding 100 hundred million euros.

According to the Portuguese Government, this new tax will generate revenue between 50 and 100 hundred million euros. But GALP alone has already announced that its tax burden for 2022 and 2023 will exceed 100 hundred million euros. In any case, the impact on prices to consumer will be high and this new tax will contribute to extending the inflation pressure on oil and gas products in 2023.

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

© 2022 MACEDO VITORINO