

2023 PORTUGUESE STATE BUDGET - FROM PROPOSAL TO LAW

The final version of the State Budget for 2023 includes some relevant changes compared to the Government's proposal, among which are some changes to the personal income tax (PIT), the taxation of cryptoactive assets, and the taxation of real estate capital gains of non-residents stand out.

Regarding CIT, VAT, and RETT, we highlight the autonomous taxation of electric vehicles, the increase in the VAT exemption limit and the changes in the RETT exemption regime for the acquisition of real estate for resale.

CONTACTOS

ANDRÉ DIAS

ADIAS@MACEDOVITORINO.COM

JEFFERSON FERNANDES

JFERNANDES@MACEDOVITORINO.COM

CAROLINA MATOS

CMATOS@MACEDOVITORINO.COM

The State Budget for 2023 was approved by [Law 24-D/2022, of 30 December \(OE 2023\)](#) with some changes compared to the proposal presented by the Government.

In this newsletter, we review the main changes approved by the Portuguese Parliament.

PIT

Regarding Personal Income Tax (PIT), we highlight the following novelties compared to the Government's proposal:

- **Commercial/industrial crypto assets activities.** In the case of the application of the simplified tax regime 15% of the revenues will be taxed, with the exception of income from crypto asset mining in which case the percentage will be 95%. The cessation of activity and change of residence will be assimilated into the disposal of crypto assets. Crypto assets that are unique and not fungible with other crypto assets are excluded from the concept of crypto assets for PIT purposes.
- **Remuneration derived from operations related to crypto assets.** Remuneration derived from crypto asset transactions (e.g. staking) will be considered for PIT purposes as capital income. This remuneration will be exempt from withholding tax, being the taxpayers obliged to report the income to the tax authorities. When the remuneration takes the form of crypto assets, the income will be taxed as capital gains at the moment of disposal of the crypto assets received.

Capital gains resulting from the sale of crypto assets. The change of residence will be assimilated to disposal for consideration. Capital gains will be calculated according to FIFO (First In, First Out) rules. The exclusion of taxation of capital gains and capital losses will apply not only in respect of disposals that relate to crypto-assets held for a period of 365 days or more but also those that are made against the delivery of new crypto-assets – in this case, the crypto-assets received will be attributed an acquisition value equal to the acquisition value of the crypto-assets delivered. The exclusions from taxation will not apply when the taxpayers or the debtors of the income are not resident in another Member State of the European Union or the European Economic Area or in another State or jurisdiction with which an international double taxation treaty, bilateral or multilateral agreement providing for the exchange of information for tax purposes is in force.

- **Crypto asset transactions carry forward period.** The carry forward period will not apply where the beneficiaries or the entities paying the income are residents in a country or jurisdiction without information exchange instruments for tax purposes.
- **Real estate capital gains obtained by non-residents.** Non-residents taxpayers will no longer benefit from the flat rate of 28% on capital gains arising from the disposal of property

and such capital gains will be subject to the rules applicable to residents' taxpayers, i.e. inclusion of 50% of the capital gains and taxation according to the general and progressive rates (up to 48% plus solitary rate up to 5%).

- **Deduction of VAT from newspapers.** In 2023, taxpayers will be allowed to deduct part of the VAT borne by any member of the household in connection with the acquisition of subscriptions to periodical newspapers and magazines, both in physical and digital format.

CIT

With regard to Corporate Income Tax (**CIT**), we highlight the following changes:

- **Taxation of income related to crypto assets (simplified regime).** Income from crypto assets that are not considered capital income, capital gains, and losses, or asset increases, are taxed by applying a coefficient of 0.15. Income from crypto asset mining activity is subject to a coefficient of 0.95.
- **Autonomous taxation of electric vehicles.** Automobiles powered exclusively by electric energy, whose acquisition cost exceeds the value defined by the resolution of the Government, will be subject to autonomous taxation at a rate of 10%.
- **Deductibility of expenses with travel cards.** Expenses incurred with the acquisition of travel cards for staff will be deductible at 150% instead of 130%.

VALUE ADDED TAX

As to Value Added Tax (**VAT**), the following changes are highlighted:

- **Increase the VAT exemption Limit.** The previous VAT exemption limit of €12,500 will be increased to €13,500 in 2023, €14,500 in 2024, and €15,000 in 2025.
- **Extension of the deadline for submitting VAT returns.** The deadline for filing the VAT returns for the month of June or the second quarter is extended to 20 September, and the payment deadline is extended to 25 September.
- **Reduction of VAT rate on vegetable-based drinks and butters.** Vegetable-based drinks, yogurts, butters, margarines, and creams will now be taxed at 6%.
- **Reduction of the VAT rate on biomass equipment.** The supply and installation of solid biomass local space heaters with a rated thermal input not exceeding 50 kW and solid biomass boilers with a rated thermal input not exceeding 500 kW meeting certain conditions, as well as pellets produced from biomass will now be taxed at 6%.

REAL ESTATE TRANSFER TAX

Regarding Real Estate Transfer Tax (**RETT**), the following measures stand out:

- **Exemption on the acquisition of real estate for resale.** The exemption will now apply to taxpayers who prove that in the last two years they have resold property previously acquired for this purpose, increasing the previous required period of only one year.
- **Taxable value in the exchange of real estate.** The real estate which is transferred within one year of the date of the exchange will no longer be covered by the rule which determines that the taxable value will be the taxable asset value when higher than the

difference in values. For this purpose, the exchanger who has transferred the property must declare this fact to the Tax Authority within 30 days.

MUNICIPAL PROPERTY TAX

With regards to Municipal Property Tax (**MPT**), the following changes were included:

- **Increase of MPT on vacant buildings.** Degraded buildings or ruins where the state of conservation has been caused by a natural disaster or calamity will be excluded from the MPT increase applicable to vacant buildings.
- **Increase of MPT on uninhabited houses or houses used as local accommodation.** Municipalities may increase the MPT rate to be applied to buildings located in areas of urban pressure, as follows
 - up to 100% in cases where the buildings are used for local accommodation.
 - up to 25% in cases of houses that are not rented or in use as the taxpayer's own permanent residence.

A further 50% increase may apply whenever a taxpayer is a legal person or other equivalent entity.

- **Vacant properties located in areas of urban pressure.** Municipalities may increase the MPT rate for buildings that have been vacant for more than one year - instead of the current two - and the limit may be increased by:
 - 25% whenever the urban building or autonomous fraction is destined to habitation and, in the year to which the tax relates, is not rented or allocated to the taxpayer's own and permanent residence.
 - 50% whenever a taxpayer is a legal person or other equivalent entity.

STAMP DUTY

In terms of stamp duty, we highlight these new rules:

- **Exemption on Housing Loans.** Extensions of mortgage loan contracts entered between 1 November 2022 and 31 December 2023 will be exempt. Likewise, new contracts for debt refinancing will be exempt, as well as, under certain conditions, the provision of new guarantees/security related to existing loans.

TAX BENEFITS

The State Budget includes the following changes:

- **Benefits applicable to students' rental income.** Rental income arising from municipal programs providing student accommodation for displaced students and with a rent limit will now be exempt from PIT and CIT.
- **Investment Tax Code.** The percentage of relevant investments that may be deducted in the computation of CIT is increased from 25% to 30%.

For more information on the other tax changes introduced by the State Budget 2023, please click [here](#).

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