



WHYPORTUGAL 2025

INVESTMENT INCENTIVES

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INTRODUCTION

The purpose of this briefing is to review the various government incentives available in Portugal, which include grants under Portugal 2030 and the «Recovery and Resilience Plan» (*Plano de Resiliência e Recuperação*, PRR), both backed by the European Union, and incentives under the tax code that are currently accessible to both international and local investors.

Other information concerning Portugal, such as the setting of a business, employment, taxation, intellectual property protection, real estate, and the judicial system can be found at www.macedovitorino.com/en/Why-Portugal.

OVERVIEW

The government plans to invest in 85 infrastructure projects, with €22,200 million in the transportation sector, mainly in upgrading or building new railroads and subway infrastructure, €13,060 million in renewable energy, and €7,418 million in environment-related investments. In 2023, new public funds totalling 400 million euros were established, mostly to invest in *start-ups*.

Government incentive mechanisms include financial incentives, repayable or non-refundable, tax benefits and co-financing. Exceptional subsidies may also be granted, such as reimbursement of employers' costs with the training of employees.

The following are the main incentive schemes now available to national and foreign investors:

- Incentives granted under the [«Portugal 2030»](#) programme covering the period from 2021 to 2027;
- Incentives granted under the [«Recovery and Resilience Plan»](#) (*Plano de Resiliência e Recuperação*, PRR) that extend from 2021 to 2026;
- Tax incentives granted under the [Tax Investment Code](#) (*Código Fiscal do Investimento*); and
- Incentive programmes designed for specific situations, such as creating jobs, which may include temporary reductions of the employer's social security contributions, financial support for hiring young people, unemployed, etc. and co-funding of training costs.

PORTUGAL 2030

«Portugal 2030» is an investment program amounting to 23 billion euros, which implements the Partnership Agreement signed between Portugal and the EU on 14 July 2022.

The main goals of this program are as follows:

- To improve innovation, technological development, and competitiveness in Portugal;
- To address the goals outlined in the Paris Agreement by investing in the green transition, renewable energy, and the fight against climate change and global warming;
- To enhance the public transportation network;
- To promote better education, employment, social inclusion, and equality in access to public healthcare; and
- To implement development strategies with local governments and create "green" cities.

These goals align with the four agendas of the 2030 Strategy:

- People First: Aiming for a better demographic balance, greater inclusion, and reduced inequality;
- Digitalization, innovation, and qualification;
- Climate transition and sustainability of resources; and
- Enhancing Portugal's international competitiveness and promoting social cohesion.

«Portugal 2030» is structured into twelve programs, which were approved in December 2022:

- Five regional programs corresponding to Intercity Communities and Metropolitan Areas (NUTS II), including separate ones for the Azores and Madeira;
- Four programs covering demographics, skills and inclusion, innovation and digital transition, climate action and sustainability, and the sea; and
- Programs for European Territorial Cooperation.

The aim of Portugal 2030 is to achieve measurable results. For a project to be approved, beneficiaries must commit to financial execution and achieve the agreed-upon results. Progress is subject to audits and monitoring.

As of mid-2024, Portugal 2030 allocated 35.7% of its available funds, approving 2,092 projects and issuing 554 calls for proposals. By 31 July, €8,209 billion out of a total €22,995 billion had been either awarded or were pending tenders. The program funding sources include the European Regional Development Fund (ERDF) with 42%, the European Social Fund+ (ESF+) with 37%, and the Cohesion Fund with 17%. To date, 255 tenders have been closed, releasing over €4 billion in funding. 2,092 projects have been approved, with €2,381 billion in funds awarded and €715 million already executed. By the end of July 2024, Portugal 2030 had issued 554 calls for proposals, with €8,209 billion available for public tenders.

From September to December 2024, the release of 249 funding calls is planned, with a total budget of €2.6 billion. The announced priorities include calls focused on the Business Research, Development, and Innovation System (RDI), the expansion of the Porto metro, and funding for Professional Training Programs, among others.

You may learn more about Portugal 2030 at www.Portugal2030.pt.

RECOVERY AND RESILIENCE PLAN (PRR)

The «Recovery and Resilience Plan» is a program approved by the European Commission for implementation in Portugal. It aims to restore sustainable economic growth and strengthen European convergence over the next decade. The PRR is funded by the European Union's "NextGenerationEU" initiative, with a total investment of €16,644 million covering the period from 2021 to 2026: €13,944 million in grants (84% of the total) and €2,700 million in loans (16%).

The main objectives of the PRR are:

- Resilience (61% of the PRR): This portion will be used to enhance economic recovery and improve the capacity to respond to future crises and challenges. It focuses on social, economic, and productive sectors and territorial resilience.
- Climate transition (21% of the PRR): This part aims to promote more sustainable resource use, boost renewable energy production, and support the decarbonization of the economy and society.
- Digital transition (18% of the PRR): This portion focuses on promoting digital inclusion through education and training in digital skills and facilitating the digital transformation of businesses and government operations.

These three key areas are implemented through 20 components, 37 reforms, and 83 investments, using a result-oriented approach based on milestones and targets.

Applications for PRR grants and loans are submitted via an online platform called "Recuperar Portugal," which simplifies the process. Implementing PRR measures or investments will be formalized through contracts between the Mission Unit "Recuperar Portugal" and direct or intermediary beneficiaries.

PIN PROJECTS

The Project Recognition and Monitoring System is a monitoring mechanism for projects recognised as having potential national interest (*Potencial Interesse Nacional*, PIN).

The PIN recognition system does not constitute a fund allocation program *per se* but a monitoring program for the applications and execution of the investment projects that benefit from or are intended to benefit from the incentives.

For projects to be recognised as PIN's, they must meet the following cumulative requirements:

- Represent an overall investment of €25 million or more;
- Create 50 or more direct jobs; and
- Be presented by reputable and reliable sponsors.

Exceptionally, projects that meet two of the following criteria may be recognised as PIN, even if they do not meet the first two requirements described above:

- Internal Research and Development (R&D) activity of at least 10% of the company's turnover;
- A significant part of the company's business is related to its patents;
- Demonstrable interest in environmental compliance: this may be made by the adoption of internal measures to reduce its carbon footprint or other environmental burdens, the production of recyclable/green products, etc.;
- The company must have a minimum of 50% of its turnover originated from international markets;
or
- Production of outstanding tradable goods and services.

To operationalise this system, the government created a support commission for investors (*Comissão Permanente de Apoio ao Investidor*, CPAI).

The project developer must file an application that fulfils the requirements for PIN recognition according to a model previously approved by the CPAI.

The recognition of the project as a PIN must take place in a maximum of 30 days, counting from the reception date of the application.

A process manager responsible for monitoring the administrative procedures is assigned for the projects recognised as PIN.

When a project is recognised as a PIN it will have a priority in the licensing procedures. PIN projects also benefit from a special administrative procedure, which involves:

- Simultaneous processing of the central government's administrative procedures;
- Reduction and simultaneous completion of the internal procedures determined by the administrative authorities that are responsible for issuing the necessary licenses;
- A single period to consult the relevant administrative procedures;
- Simplification of the procedures related to the zoning plan instruments relevant to the project;
- Tacit positive reports and tacit deferral under the various applicable procedures; and
- Simplification of procedures to obtain construction permits.

TAX INVESTMENT CODE

The investment projects that engage in certain activities may, until 31 December 2027, benefit from tax incentives for up to ten years starting from the completion of the investment project, provided that the amount invested is equal to or greater than €3 million. Such projects regard, among others, (i) extractive and manufacturing industry activities, (ii) tourism, (iii) agricultural and forestry activities, (iv) defence, environment and energy, or (v) research activities.

The tax benefits may include:

- Tax credits;
- Reduction of or exemption from real estate taxes, such as IMI (*Imposto Municipal sobre Imóveis*), during the term of the agreement, regarding the buildings used by the project developer when executing the project; and
- Exemption from stamp duty regarding all acts or contracts required to carry out the project.

In addition to these tax benefits, municipalities may grant total or partial exemptions from IMI or IMT (*Imposto Municipal sobre as Transmissões Onerosas de Imóveis*) for specific investments made in the Municipality.

Projects that demonstrate technical, economic, and financial viability, provide for the creation or maintenance of jobs, and meet at least one of the following conditions may qualify for contractually defined fiscal benefits granted to productive investments:

- Contribute to the strategic development of the national economy;
- Significantly reduce regional disparities; and
- Promote technological innovation, advance national scientific research, enhance environmental sustainability, or improve competitiveness and productivity.

To access these benefits, the investor must submit an electronic application to one of the State investment agencies, AICEP or IAPMEI.

Investment incentives may be revoked under the following circumstances:

- If the project developer fails to meet contractually defined obligations;
- If the project developer does not comply with tax obligations; or
- If the project developer provides false information or presents manipulated data during project presentation, evaluation, or monitoring.

If the contract is terminated, the project will lose its tax benefits, and the developer will be required to repay the uncollected tax revenue plus interest.

Tax incentives for business research and development (*R&D*) may also be granted. Corporate income tax taxpayers residing in Portugal who engage in agricultural, industrial, commercial, or service activities, or non-residents with a permanent establishment in Portugal, can deduct R&D expenses from their corporate income tax, provided these expenses are not co-funded by the State through non-refundable grants. These deductions apply to taxation periods between 1 January 2014 and 31 December 2025.

To qualify for these tax deductions, investors must meet the following conditions:

- The taxable profit must not be determined by indirect methods; and
- The applicant must not have any outstanding tax liabilities or unpaid Social Security contributions.

Investment incentives may take one of the following forms:

- A contract between the State and the investor, known as contractual incentives;
- Autonomous incentives, which apply to specific protected situations; or
- Incentives granted through State-funded programs.

ABOUT PORTUGAL

TERRITORY, POPULATION AND LANGUAGE

Portugal is situated on the southwest coast of Europe, bordering only with Spain. With a territory of 92,152 Km², Portugal has the largest maritime zone in Europe. Its continental platform borders the American platform.

Portugal has an 800-year history, and its European borders have been established for over 500 years. Because of this, the country has a homogeneous population, sharing similar values despite slight regional differences.

Portuguese is the sixth most spoken language in the world, spoken by 270 million people in Portugal, Brazil, Angola, Cape Verde, Mozambique, Guinea Bissau, São Tomé and Príncipe and Timor.

POLITICAL SYSTEM

Portugal is a parliamentary republic. The legislative power lies with a national parliament (*Assembleia da República*), with 230 seats. The members of parliament are elected by universal vote for four-year terms. The Government depends on the parliament's support, which has the power to overthrow it. The cabinet of ministers is led by a Prime Minister, who holds the executive power.

The President of the Republic has limited powers but has the power to influence the Parliament's and the Government's decisions and dissolve the Parliament in extraordinary circumstances.

INTERNATIONAL RELATIONS

Portugal has been a member of the EU since 1986, a founding member of the Euro and the Portuguese-speaking Countries Community (*Comunidade dos Países de Língua Portuguesa*, CPLP), which groups all Portuguese-speaking countries. Portugal is a member of the United Nations, NATO and the OECD.

CURRENCY AND BANKING SYSTEM

Portugal is one of the founding members of the «Euro», the currency of 20 European countries. The Euro is the second most traded currency in the World after the US Dollar. The currency symbol is «€». The Euro circulates with seven banknotes and eight different coins: banknotes of 500, 200, 100, 50, 20, 10, and five euros, and coins of two and one euro and 50, 20, 10, five, two and one cent.

The Bank of Portugal (*Banco de Portugal*, BdP) is the central monetary authority that oversees the banking system and is a member of the European System of Central Banks (ESCB).

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