

2026 STATE BUDGET PROPOSAL: TAX MEASURES

SUMMARY

Unlike in previous years, the 2026 State Budget proposal includes few tax changes, confirming the Government's policy to approve such changes separately from the budget.

Among the few tax changes included, we highlight the update of the PIT tax brackets and a reduction in the PIT rates for the 2nd to the 5th brackets, as well as the extension of the incentive for wages increase.

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The Government presented yesterday the draft State Budget for 2026. In this newsletter we summarise the main tax changes included in the draft State Budget.

PERSONAL INCOME TAX

Regarding Personal Income Tax (**PIT**), the proposed changes are as follows:

- **PIT brackets update.** The PIT brackets will be updated by 3,5%.
- **Reduction of PIT rates.** Reduction of the PIT rates for the 2nd to the 5th brackets, according to the following table:

Bracket	Tax 2025	Tax 2026
1	12,50%	12,50%
2	16,00%	15,70%
3	24,40%	24,10%
4	31,40%	31,10%
5	34,90%	34,90%

- **Minimum subsistence amount.** The reference value for the minimum subsistence will be increased from €12.180 to €12.880.

CORPORATE INCOME TAX

In terms of Corporate Income Tax (**CIT**), the 2026 State Budget proposal includes the following proposal:

- **Autonomous taxation.** Expansion of the list of vehicles eligible for reduced autonomous taxation rates. In addition to plug-in hybrid vehicles with a minimum electric range of 50 km and emissions below 50 gCO₂/km, vehicles approved under the "Euro 6e-bis" emissions standard — which allows emissions up to 80 gCO₂/km — will also be included.

It should be noted that the announced reduction of the CIT rate from 20% to 19% will be included in a separate act.

VALUE ADDED TAX

Regarding Value Added Tax (**VAT**), the following measure is proposed:

- **Reduced VAT rate.** Application of the reduced VAT rate to services related to the processing of olives into olive oil.

REAL ESTATE TRANSFER TAX

Regarding the Real Estate Transfer Tax (**RETT**), the 2026 State Budget Proposal includes the following change:

- **Adjustment of tax brackets.** Update of RETT brackets by 2%.

TAX BENEFITS

The 2026 State Budget Proposal includes the following changes to the Tax Benefits Statute:

- **Incentive for wage increases:** Maintenance in 2026 of the exemption from PIT and social security contributions, up to 6% of the annual base salary, on productivity bonuses, performance bonuses, profit-sharing, and balance-sheet gratifications that are irregular in nature. Reduction of the minimum required salary increase from 4.7% to 4.6% for companies to benefit from the 200% relief in relation to the expenses related to salary raises for employees with permanent contracts.
- **Incentive for consolidation of rural properties:** Extension of tax incentives for the consolidation of rural properties (exemption from RETT and stamp duty on the transfers of rural properties required for the consolidation).
- **Other benefits:** Extension of several tax benefits until 31 December 2026, namely:
 - Deductions under social impact bond partnerships;
 - External loans and rental of imported equipment;
 - Financial services from public entities;
 - Swaps and loans from non-resident financial institutions;
 - Deposits from non-resident credit institutions;
 - Repo operations with non-resident financial institutions;
 - Management entities of designations of origin and geographical indications;
 - Entities managing integrated systems for specific waste flow management;
 - Sports, cultural, and recreational associations;
 - Associations and confederations;
 - Tax incentives for forestry activities;
 - Forest management entities and forest management units;
 - Deduction for the determination of taxable profit for companies;
 - Deductions from individual income tax;

- Value Added Tax (VAT) – transfers of goods and services provided free of charge.

SPECIAL CONTRIBUTIONS

The 2026 State Budget proposal also includes the following measures:

- **Special contributions.** Continuation of the main extraordinary special contributions, namely:
 - Contribution to the audiovisual sector;
 - Contribution in the banking sector;
 - Contribution in the pharmaceutical industry;
 - Extraordinary contribution by suppliers to the medical devices industry of the National Health Service; and
 - Extraordinary contribution in the energy sector (CESE).
- **Solidarity surcharge in the banking sector.** Repeal of the solidarity surcharge on the banking sector, following its declaration of unconstitutionality by the Constitutional Court.
- **Contribution to the audiovisual sector.** No adjustment of the contribution to the audiovisual sector in 2026.
- **Extraordinary Contribution in the energy sector.** Companies operating in transportation, distribution, or underground storage of natural gas will no longer be subject to this contribution, in accordance with the unconstitutionality rulings by the Constitutional Court. Assets dedicated to the operation of electricity transmission and distribution networks, acquired from 1 January 2026, in new condition, constructed, or expanded will be excluded from the CESE tax base.

ACCESSORY OBLIGATIONS

The 2026 State Budget proposal also includes the following measures:

- **Inventory.** Taxpayers will be exempt from the obligation to value inventories when fulfilling the reporting requirement under Article 3.º-A of Decree-Law No. 198/2012:
 - i. For the taxable period starting on or after January 1, 2025; and
 - ii. For taxpayers not required to maintain a permanent inventory, for the taxable period starting on or after January 1, 2026.
- **SAF-T.** Submission of the SAF-T (PT) accounting file, as defined by Ordinance No. 31/2019, will apply to the 2027 and subsequent periods, to be submitted in 2028 or later periods.
- **Invoices.** Until December 31, 2026, invoices in PDF format will be accepted and electronic invoices for all purposes established in tax legislation.

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