

AMENDMENT OF THE TAX INCENTIVE FOR SALARY INCREASES

SUMMARY

Law 65/2025 amended the requirements of the tax incentive for salary increases.

With this amendment, companies will be able to benefit from this incentive even if there is an increase in the salary range

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The Tax Benefits Statute ("EBF") grants companies a tax incentive for salary increases.

This incentive consists of a tax relief equal to 200% (instead of 100%) of the amount of expenses corresponding to salary increases in relation to employees with permanent employment agreements.

This incentive applies when the following conditions, among others, are met:

- The increase in the average annual base remuneration in the company, compared to the end of the previous year, is at least 4.7%; and
- The increase in the annual base remuneration of employees who earn less than or equal to the company's average annual base remuneration at the end of the previous year is at least 4.7%.

The maximum annual amount of expenses which companies may increase, per employee, corresponds to five times the guaranteed minimum monthly salary, excluding any expenses arising from the adjustment of such amount.

The law establishes some limits to the application of this incentive.

Among other limits, the incentive will not apply when, in the relevant year, there is an increase in the salary range of the employees compared to the previous fiscal year.

The salary range refers to the difference between the highest and lowest annual fixed remuneration of the employees, calculated on the last day of the tax period.

Law 65/2025 revoked this limit, this way expanding the scope of application of this incentive to situations that were previously excluded.

This measure will take effect as of 1 January 2025.

Thus, in 2025 and until the expiration of this incentive, companies will be able to benefit from the salary increase incentive even if, as a result of the said salary increase, there is a widening of the salary range.

This information is general and should not be considered professional advice.