



WHY**PORTUGAL** 2026

# INVESTMENT INCENTIVES

M A C E  
D O ■ ■  
V I T O  
R I N O

# ABOUT US

MACEDO VITORINO IS A LEADING PORTUGUESE LAW FIRM. WE ADVISE DOMESTIC AND FOREIGN CLIENTS IN A WIDE RANGE OF BUSINESS SECTORS, INCLUDING BANKING, DISTRIBUTION, INDUSTRY AND PROJECTS. WE ARE KNOWN FOR OUR PROFESSIONAL AND CLIENT-ORIENTED APPROACH TO COMPLEX AND DIFFICULT MATTERS.

Since the incorporation of the firm, we have been involved in several high-profile transactions in all of the firm's fields of practice, including banking and finance, capital markets, real estate, M&A, complex disputes and corporate restructurings. We have strong relationships with many of the leading international firms in Europe, the United States and Asia, which enable us to handle effectively any cross-border legal matters.

We are ranked by Legal 500 in Banking and Finance, Capital Markets, Corporate and M&A, Employment and Dispute Resolution. The firm is also recognised by IFLR 1000 in Banking and Finance, Capital Markets, Corporate M&A and Project Development.

The multidisciplinary and integrated character of our firm allows us to efficiently solve the legal issues of our clients, in particular:

- COMMERCIAL CONTRACTS, DISTRIBUTION AND FRANCHISING
- COMPETITION AND EUROPEAN LAW
- COPYRIGHT, INTELLECTUAL PROPERTY, IT, PATENTS AND TRADEMARKS
- CORPORATE AND ACQUISITION FINANCE
- DISPUTE RESOLUTION, LITIGATION, MEDIATION AND ARBITRATION
- EMPLOYMENT
- FOREIGN INVESTMENT, MERGERS & ACQUISITIONS AND PRIVATISATIONS
- REAL ESTATE ACQUISITION AND DISPOSAL
- TAX

If you want to find out more about MACEDO VITORINO, please visit our website at [www.macedovitorino.com](http://www.macedovitorino.com)



# CONTENTS

1. INTRODUCTION.....	1
2. OVERVIEW .....	2
3. EU FUNDED INVESTMENT INCENTIVES .....	3
3.1. Portugal 2030 .....	3
3.2. Recovery and resilience plan (PRR) .....	5
3.3. Procedural aspects .....	5
4. TAX INCENTIVES.....	13
4.1. Legal framework .....	13
4.2. Research and development tax incentives.....	13
4.3. Incentive for business capitalisation .....	17
4.4. Contractual tax incentives .....	18
4.5. Other property tax exemptions .....	21
4.6. Tax incentives for wage increases .....	22
5. NON-FINANCIAL SUPPORT MECHANISMS.....	24
5.1. Investment projects tracking system .....	24
5.2. PIN and PII projects .....	25
6. FINAL REMARKS.....	28

# I. INTRODUCTION

Portugal is now on the radar of many international investors wishing to move into Europe, a safe haven in a world facing growing regional and geopolitical conflicts. According to the Global Peace Index, Portugal ranks 7th globally and 5th in Europe. Portugal offers unique living conditions, a welcoming environment and offers investment opportunities in a wide variety of sectors.

The purpose of this briefing is to provide an overview of the various government incentives available in Portugal, which include incentives backed by the European Union under the «Portugal 2030» programme (2021-2027, €23,000 million) and the «Recovery and Resilience Plan» (*Plano de Resiliência e Recuperação*, "PRR") (2021-2026, €22,216 million), as well as tax incentives that are currently accessible to both international and local investors.

Other key information concerning the most relevant aspects of doing business or working in Portugal is available at [www.macedovitorino.com/en/Why-Portugal](http://www.macedovitorino.com/en/Why-Portugal). The «Why Portugal» webpage contains a description of the main aspects that concern businesses and individuals investing in Portugal, including:

- How to set up a business.
- Forms of investment incentives and government grants available and how to apply.
- Getting a Portuguese residence permit or a golden visa.
- Hiring employees, employers' obligations and rules concerning the dismissal of employees.
- Portugal's main taxes, including among others personal and corporate income taxes, VAT and property taxes.
- Intellectual property protection, software, patents, trademarks and technology.
- Real estate, acquisition and lease of property and financing and tax related issues.
- Dispute resolution, the judicial system and the main steps and costs of lawsuits.

## 2. OVERVIEW

The government plans to invest in 83 infrastructure projects using PRR funds, with €22,200 million in the transportation sector, €13,060 million in renewable energy, and €7,418 million in environment-related investments.

The PRR comprises approximately 117 investment streams and 44 reforms (post-reprogramming), with a strong emphasis on resilience, climate transition, and digitalisation.

Following the submission of Portugal's 8<sup>th</sup> Payment Request on 14 November 2025 and subsequent simplification adjustments, the Portuguese government projects to reach 68% financial execution (€15,096 million) and 61% completion of milestones at the end of 2025.

The PRR projects include the construction of the high-speed rail link to Porto, the largest ongoing infrastructure investment in Portugal, scheduled for completion by 2032. The tender for the first section has been awarded, and the tender for the second section has been recently announced. The government has also prioritised the feasibility study for high-speed rail links between Porto and Trás-os-Montes in north-eastern Portugal.

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. Hiring incentives under Portugal 2030 and PRR include temporary reductions in employer social security contributions (e.g., 100% exemption for first 3 years on new jobs in low-density regions), support for youth/unemployed hiring (up to €5,000 per hire), and co-funding of training (50-80% via ESF+).

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

- incentives granted under Portugal 2030 covering the period from 2021 to 2027;
- incentives granted under PRR that extend from 2021 to 2026; and
- tax incentives.

# 3. EU FUNDED INVESTMENT INCENTIVES

## 3.1. PORTUGAL 2030

Portugal 2030 is an investment programme amounting to €23,000 million, which implements the Partnership Agreement signed between Portugal and the EU on 14 July 2022.

The main goals of this programme 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.

Portugal 2030 is structured into 12 programmes, which were approved in December 2022:

- seven regional programmes corresponding to Intercity Communities and Metropolitan Areas ("NUTS II")<sup>1</sup>, including 2 programmes for the Azores and Madeira;

---

<sup>1</sup> NUTS II regions are statistical divisions for regional policy.

- four thematic programmes covering demographics, skills and inclusion, innovation and digital transition, climate action and sustainability, and the sea; and
- one Program for European Territorial Cooperation divided into 4 different areas (cross-border, transnational, interregional and outermost regions).

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.

The programme funding sources include:

- European Regional Development Fund ("ERDF") with €11,500 million (plus €139 million under European Territorial Cooperation);
- European Social Fund Plus ("ESF+")<sup>2</sup> with €7,800 million;
- Cohesion Fund with €3,100 million;
- Just Transition Fund ("JTF") with €224 million;
- European Maritime, Fisheries and Aquaculture Fund ("EMFAF") with €393 million; and
- an additional €1,048 million under the Connecting Europe Facility ("CEF").

As announced in January 2025, Portugal COMPETE 2030 will mobilise €3,000 million in European funds under Portugal COMPETE 2030, one of the four thematic programmes, to be supplemented with €935 million in other government programmes. By the end of December 2025, open calls for proposals under Portugal 2030 totalled €11,034 million.

---

<sup>2</sup> ESF+ or "European Social Fund Plus" is an EU employment support fund.



### 3.2. RECOVERY AND RESILIENCE PLAN (PRR)

PRR is a programme approved by the European Commission for implementation in Portugal. It aims to restore sustainable economic growth and strengthen European convergence over the next decade.

Following the 2023-2025 revisions, including the «REPowerEU» component, PRR totals approximately €22,200 million, comprising around €16,300 million in grants and €5,900 million in loans, as approved at the European Union level. The original execution deadline of 31 August 2026 for milestones and targets remains in place.

The main objectives of PRR are:

- **Improve Social and Economic Resilience** (61% of PRR): enhance economic recovery from the Covid19 pandemic and improve the capacity to respond to future crises and challenges, focussing on social, economic, and productive sectors.
- **Promote Climate Transition** (21% of PRR): promote the use of more sustainable resources, boost renewable energy production, and support the decarbonisation of the economy and society.
- **Promote Digitalisation** (18% of PRR): stimulate digital inclusion through education and training in digital skills and facilitate the digital transformation of businesses and government operations.

Applications for PRR grants and loans are submitted online at [«Recuperar Portugal»](#). The approved PRR grants are formalised through a contract between the mission unit «Recuperar Portugal» and the beneficiaries of the grants.

### 3.3. PROCEDURAL ASPECTS

#### 3.3.1. LEGAL FRAMEWORK

The general regime for the application of EU funds is set out in Decree-Law 20-A/2023, of 22 March 2023, which establishes the rules for eligibility, obligations and other procedural aspects of Portugal 2030. Portugal 2030 is also subject to Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021.

PRR is governed by Decree-Law 53-B/2021, of 23 June 2021, which sets out exceptional rules for budget execution and simplified procedures, as well as specific regulations for

each call. Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021.

The various procedural aspects concerning Portugal 2030 and PRR follow broadly the same structure and formalities that we summarise below, although they are subject to either Decree-Law 20-A/2023 or Decree-Law 53-B/2021 as referred above.

### 3.3.2. ANNOUNCEMENT OF INCENTIVE PROGRAMMES

The specific incentive programmes under Portugal 2030 and PRR are approved by a ministerial order and announced in a notice published in the official gazette (*Diário da República*) and on the responsible agency's websites, containing the rules of each programme.

The ministerial order approving the programme establishes the object, eligible expenses, level of support and names the managing entity. The programme notice contains the rules that businesses must follow detailing:

- the programme's objectives;
- the total amount available under the programme;
- the eligibility criteria;
- the availability period; and
- the conditions of the grants.

Each programme's notice is usually accompanied by a practical guide and a procedure manual concerning the application process, as well as templates of the statements and documents to be submitted by the applicants and the evaluation criteria.

### 3.3.3. MAIN ELEMENTS OF INCENTIVE PROGRAMMES

Incentive programmes follow broadly the same rules, although each programme has a specific set of rules and may be more or less complex depending on the nature of the programme, types of government incentives and the potential beneficiaries.

The following are the main aspects of each programme.

## **(1) Businesses eligibility requirements**

Each incentive programme notice will specify the types of entities that may apply – small and medium sized companies ("SMEs"), large enterprises, companies owned or controlled by the State and local and regional authorities – and may be directed to particular sectors or activities or to specific regions.

All programmes generally require beneficiaries to be in good standing, to provide evidence that they have complied with their tax obligations standing and cannot be considered in distress, *i.e.* to be insolvent or under analogous creditor protection.

Foreign companies doing business in Portugal through a branch or with a permanent establishment may benefit from some incentives, but it is generally advisable that they should have a local subsidiary to apply to the incentive or to partner with a local company.

Some incentive programs allow the participation of foreign companies. However, the number of such programs is limited. As most incentives require a Portuguese legal entity, it is generally advisable for foreign companies to have a local subsidiary or partner with a local company in order to apply.

## **(2) Project eligibility**

The programmes' notices also define the types and purposes of the projected incentives, which may include among other things:

- innovation and productivity improvements;
- internationalisation;
- digitalisation; and
- environmental and sustainability projects.

For example, competitiveness incentives may include incentives for "Production Innovation" or "Qualification and Internationalisation of SME's".

## **(3) Eligible expenses**

Typically, eligible expenses include:

- capital investments (such as equipment, machinery etc.);
- technology and software;
- internationalisation costs; and
- consulting services.

In general, routine operating costs, maintenance investments, periodic costs, land and used-asset purchases, intra-group transactions and advertising are excluded. Costs with the acquisition of services and goods from related parties are also excluded.

In Portugal, the percentage of eligible costs covered varies by programme, region, company size, and type of investment. Generally, subsidies cover around 30% to 40% of eligible costs, particularly in innovation, productive investment and competitiveness incentives.

In specific cases, higher rates may apply, for example:

- research and development;
- innovation projects;
- entrepreneurship incentives; or
- projects located in less developed or low-density regions.

These are just some examples of incentives that may benefit from increased co-financing rates, which can reach 50% to 60%, and in more exceptional cases up to a maximum of around 80% of eligible costs. The remaining share of the investment must always be financed by the beneficiary.

In addition, incentive programmes usually define a total budget per call and set minimum and/or maximum subsidy amounts per project, or a maximum eligible project budget, all of which are detailed in the respective programme notice.

#### **(4) Submission period**

Each programme notice specifies an application period. This window is usually between 30 and 60 days per round. Some incentives may extend the application deadline and

occasionally establish a second or even a third round of applications when the project budget is not fully allocated in the first or second rounds.

Submissions after the deadline are not admissible; official notices generally state that applications not fully prepared or submitted on time will be excluded.

## **(5) Documentation**

The programmes' notices and attachments list all required documents. Typical requirements include:

- an investment plan with technical justification;
- recent financial statements;
- a business plan with a detailed budget;
- legal status certificates;
- a feasibility study;
- tax and social security clearances; and
- incorporation documents like articles of association.

When businesses apply as a consortium or with partners - for example, with the support of a scientific or academic institution - the application must include information and documentation regarding each entity. The application documents follow a predetermined format and must be prepared in the language specified in the programme notice, in some cases Portuguese and in other English.

### **3.3.4. APPLICATION PROCEDURE**

Although investment incentives in Portugal follow similar procedures, each incentive programme is different, and the level of complexity of the application process can vary.

Programmes such as Portugal 2030 or PRR have specific regulations, eligibility rules and procedural requirements. Each programme uses a dedicated online platform, [Portugal 2030](#), [PRR Portal](#), and [Balcão dos Fundos](#) (an EU funding portal), or the regional and theme programme websites.

We provide below an overview of some of the aspects that businesses should take into account in the selection, preparation and submission of their application.

### **(1) Verification of eligibility**

To verify the purpose, the eligibility criteria and the conditions of the programmes, businesses may consult the official online platforms available at [Portugal 2030](#), [PRR Portal](#), and [Balcão dos Fundos](#).

### **(2) Preparing information and documentation**

The applicant must prepare the documentation required under the specific programme notice in the exact manner specified in the notice of the programme.

All statements, projections and declarations must be true and accurate. The statements and documents included in the applications and the use of funds are subject to compliance audits.

The recipient's identification, the date of the decision, and the amount given of any subsidies awarded are published on the website of the General Inspectorate of Finance, a department of the Ministry of Finance (*Inspeção Geral das Finanças*, "IGF").

### **(3) Registration on application platform**

Most programme notices require online submission through a designated portal, [Balcão dos Fundos](#). Regional programme portals like [Lisboa 2030](#) or [Algarve 2030](#) provide direct information, guidance, and access to programme documents.

Submission of applications requires the creation of an account and log in, which allows the applicant to:

- identify projects that may be of interest and the relevant eligibility criteria and required information; and
- submit the application;
- follow up the procedure until the award;

- after the award to submit information and documentation regarding the project status, including requests for disbursements.

The programme notice will set out a date and time for submission. Some incentives may establish a second round for submissions in the case the first round does not exhaust the funds available for the programme.

Many platforms allow uploading PDFs with supporting documents and autofill some company data.

Submission of all required documents and information must be made with time, as technical issues preventing the upload of the application, system overload or missing information may prevent the submission or lead to the rejection of the application.

#### **(4) Evaluation and award**

Once submitted, the funding agency will review the application; many programmes have a pre-defined evaluation period. The evaluation scores projects based on the criteria stated in the programme notice, which may include:

- relevance of the project;
- impact;
- cost-effectiveness; and
- implementation capacity.

Project applications that meet the minimum score will be approved for funding. If approved, the applicant business will receive a formal decision and will enter into a funding agreement, which sets the terms for disbursement of funds and the reporting obligations of the beneficiary.

If not approved, the agency will notify the applicant of the rejection and will be allowed to appeal to the management of the awarding entity, although some programmes do not establish the manner in which such communication will be made. In some cases, the rejection decision may be overturned.

### 3.3.5. RISKS AND PITFALLS

While Portugal's incentive programs offer significant opportunities, investors should be aware of potential challenges, including bureaucratic delays in application processing, fund disbursements and revocation of allocated funds. Past EU funded programmes, like Portugal 2020, had high rates of revoked subsidies due to mismanagement of allocation and failure to meet the projects' goals.<sup>3</sup>

Investors should be prepared to appeal from decisions on technical aspects of the application that are more subjective, such as the evaluation of the project merit or innovation potential. Many times, rejection decisions may be reverted at the administrative level in a timely fashion through formal administrative recourse.

Conversely, appeals to administrative courts may be long and cumbersome, often lasting 1-2 years or more. Typically successful appeals would not provide a timely resolution that would allow resuming the project without significant financial strain.

In addition, Portuguese and EU fund audits are rigorous involving both national bodies like the *Agency for Development and Cohesion* (“*Agência para o Desenvolvimento e Coesão*”) and EU oversight mechanisms, like the European Court of Auditors and the European Anti-Fraud Office. Non-compliance, such as failure to meet milestones or reporting deadlines, may result in the revocation of the incentive and require the repayment of any sums advanced together with interest.

Political shifts, including post-2026 PRR expiration or changes in government priorities, may impact certain programs and put at risk future projects, although not affect ongoing projects.

Early consultation with legal, tax and technical advisors to mitigate these risks is recommended.

---

<sup>3</sup> [Special report 07/2024: The Commission's systems for recovering irregular EU expenditure | European Court of Auditors.](#)



## 4. TAX INCENTIVES

### 4.1. LEGAL FRAMEWORK

The main rules governing tax incentives are established in the Tax Benefits Statute (*Estatuto dos Benefícios Fiscais*, "EBF"), which regulates all forms of tax benefits and provides their legal basis, and the Investment Tax Code approved by Decree-Law 162/2014 of 31 October 2014 (*Código Fiscal do Investimento*, "CFI").

The main tax benefit schemes provided for in the Investment Tax Code include:

- **Research and development incentives**, including "Sistema de Incentivos Fiscais à Investigação e Desenvolvimento Empresarial" ("SIFIDE II"), which allows companies to deduct research and development expenses from their corporate income tax, and the "patent box regime" providing a tax exemption on the profits generated from research and development activities;
- **Investment support tax incentives** (*Regime Fiscal de Apoio ao Investimento*, "RFAI"), allowing companies to deduct a percentage of investments made in non-current assets (tangible and intangible) from their corporate income tax, subject to specific limits and conditions for eligible sectors (such as agriculture, industry, and tourism);
- **Incentive for business capitalisation** (*Incentivo à Capitalização de Empresas*, "ICE"), allowing the deduction for retained and reinvested profits; and
- **Contractual tax incentives for productive investments**, where investors may obtain tax credits and tax exemptions granted by national and local authorities.

### 4.2. RESEARCH AND DEVELOPMENT TAX INCENTIVES

#### 4.2.1. SIFIDE II

SIFIDE II is a tax incentive programme for business research and development regulated by Articles 35 to 42 CFI.

Under SIFIDE II 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 research and development expenses from their corporate income tax, provided these expenses are not co-funded by the State through non-refundable grants.

These deductions originally applied to taxation periods from 1 January 2014 to 31 December 2025 and are expected to be extended until 31 December 2026 under a government bill proposal submitted to Parliament, which is still awaiting approval and publication.<sup>4</sup>

The standard deduction rate is 32.5% of eligible R&D costs incurred during the tax year; for small and medium-sized enterprises ("SMEs") that have been in operation for less than two years and have not yet benefited from the incremental rate, this base rate is increased to 47.5%.

In addition to the base rate, companies can benefit from an incremental deduction of 50% of the increase in R&D expenses compared to the average of the previous two tax years. This incremental benefit is capped at €1.5 million per year.

Overall, a company may recover up to 82.5% of its R&D investment through these combined rates. If the resulting tax credit exceeds the amount of tax due for the year, the unused portion can be carried forward and applied against tax liabilities for up to 12 subsequent years.

Only expenses must be directly related to R&D (the search for new scientific/technical knowledge or the substantial improvement of products/processes) are eligible; these include:

- **Personnel.** Salaries of staff directly involved in R&D. PhD holders are valued at 120% of their cost.
- **Operating Costs.** General overheads, calculated as a flat 55% of personnel costs.

---

<sup>4</sup> The government submitted to parliament Bill 44/XVII/1 seeking authorisation to extend SIFID II until 31 December 2026.

- **Tangible Assets.** Acquisition of new equipment used for R&D (excluding land and buildings).
- **Outsourcing.** R&D services contracted from public entities or ANI-recognized institutions.
- **IP Protection.** Costs for registration, purchase (SMEs only), and maintenance of patents.
- **Audits Costs.** Specific R&D audit costs (up to certain limits).

To be eligible to apply for SIFIDE II, a company must:

- be resident or have a permanent establishment in Portugal;
- calculate taxable profit using direct methods; companies opting for indirect and simplified methods are not eligible for SIFIDE II incentives; and
- have no debts to the State or Social Security.

To apply for the exemption, the taxpayer must submit an application to the National Agency for Innovation (*Agência Nacional de Inovação*, "ANI"), usually by the end of the fifth month following the year of the expenses.

It is important to note that eligibility under SIFIDE II is subject to subjective assessments by ANI, which may dispute the classification of expenses as R&D, leading to potential rejections or adjustments. For example, costs must demonstrate substantial innovation, and disputes can arise over the 120% valuation for PhD holders or the €1.5 million incremental cap. Extensions beyond the current 31 December 2026 deadline are under discussion. Investors are advised to monitor updates via official ANI channels and retain detailed records for audits, which can occur up to five years post-deduction.

#### 4.2.2. PATENT BOX REGIME

The "Patent Box" regime offers a partial exemption of income from certain industrial property rights that aims to stimulate research and development and the commercial exploitation of intellectual property under Article 50-A of the Corporate Income Tax Code (*Código do Imposto sobre o Rendimento das Pessoas Coletivas*, "CIRC").

The "patent box" regime provides an 85% deduction on net income derived from the assignment or temporary use (licensing) of eligible intellectual property assets. Effectively, 15% of the qualifying income is subject to corporate income tax.

To qualify, the income must arise from industrial property rights (patents and utility models) or copyright on computer programs.

Following a binding ruling of the Portuguese Tax Authority, to qualify patents and utility models must be registered with the Industrial Property National Institute (*Instituto Nacional da Propriedade Industrial*, "INPI") and software must be registered with General Inspectorate of Cultural Activities (*Inspeção-Geral das Atividades Culturais*, "IGAC"), a department of the Ministry of Culture, or with the Association of Software (*Associação Portuguesa de Software*, "ASSOFT"), a private association which groups stakeholders in the Portuguese digital industry.

Qualifying income includes:

- royalties obtained from the temporary use or licensing of the IP;
- gains obtained from the sale or assignment of IP rights; and
- compensation for the violation of eligible IP rights.

To benefit from this regime, the taxpayer (IP right owner transferring or licensing the IP) must maintain accounting records organised in a way that clearly distinguishes qualifying income from all other income, and enabling the identification of the research and development expenses directly attributable to the specific intellectual property right being licensed or assigned.

The deduction cannot exceed the amount resulting from the formula:

$$DQ / DT \times RT \times 85\%$$

Where:

- DQ = Qualifying expenses incurred for developing the protected asset (R&D done by the taxpayer or outsourced to unrelated entities)
- DT = Total expenses to develop the protected asset (including those incurred with related entities and acquisition costs, if applicable)
- RT = Total income derived from the IP.

Income obtained from the supply of goods or services to related entities and to entities resident in jurisdictions in blacklisted countries (including territories and regions with a clearly more favourable tax regime) is excluded.

#### 4.3. INCENTIVE FOR BUSINESS CAPITALISATION

Companies may benefit from ICE under Article 43-D EBF, a "business capitalisation" incentive which allows the deduction from the taxable profit of the cost of capital invested in the company as equity and equity like instruments qualified as "own capital" (*capital próprio*).

The business capitalisation incentive is essentially a "notional interest" deduction rewarding equity investments. The deduction is calculated based on a benchmark interest rate, Euribor 12 months, plus 2% spread, with an additional 20% bonus in 2026. This effectively transforms equity into a tax-deductible notional cost, reducing corporate income tax.

The benefit is a deduction from the taxable profit (*lucro tributável*). The amount is determined by applying a variable interest rate to the net eligible equity increase made by the company.

The deduction is not just based on the current year. It considers the sum of net equity increases from the current tax period and the previous six tax periods (a rolling 7-year benefit).

For the purposes of this incentive, "eligible capital increases" include:

- cash contributions made by shareholders;
- contributions in kind made through the conversion of credits into equity;
- share issuance premiums; and
- retained profits that are moved into reserves or kept as retained earnings.

To determine the "net increase", capital decreases, like dividend distributions from the company's reserves and capital reductions, made during the relevant period must be deducted.

The tax incentive is subject to specific ceilings. The maximum deductible amount is the highest of the following values:

- €4,000,000 per year.
- 30% of the company's "Tax EBITDA" (as defined in Article 67(13) CIRC).

If the calculated deduction exceeds the 30% EBITDA limit, the excess can be carried forward and used over the next five tax periods.

To benefit from this deduction, companies must meet the following criteria:

- be commercial, industrial, or agricultural companies with their head office or effective management in Portugal, excluding financial institutions;
- have a regularised status with the Tax Authority and Social Security; and
- have organised accounts and not be taxed under "simplified" or "indirect" methods.

#### 4.4. CONTRACTUAL TAX INCENTIVES

Investment projects related to specific activities may benefit from tax credits ranging from 10% to 25% of the eligible investment costs tax incentives for up to ten years from the project completion under Investment Tax Code (Articles 2 et seq. CFI), provided the investment equals or exceeds €3 million. This support scheme is in force until 31 December 2027.

The exact percentage of tax credits (between 10% and 25%) is determined considering various factors, *i.e.* region, job creation and strategic relevance to the national economy. The maximum aid (*i.e.* the percentage of eligible costs that can be covered by the tax credit and other incentives) is subject to the limits set by the European Union's regional aid map and State-aid regulations. These rules may affect the effective tax credit available for certain projects or regions.

In addition, recipients may also benefit from exemptions or reductions in municipal property transfer tax (*Imposto Municipal sobre Transmissões Onerosas de Imóveis*, "IMT"), municipal property tax (*Imposto Municipal sobre Imóveis*, "IMI"), and stamp duty (*imposto de selo*) (Article 8 CFI).

Unlike other tax benefits (like RFAI), which are applied automatically upon meeting criteria, contractual incentives require a formal agreement between the investor and the Portuguese State represented by the Portuguese Foreign Investment Agency (AICEP - *Agência para o Investimento e Comércio Externo de Portugal*, "AICEP").

The activities benefitting from tax incentives include:

- extractive and manufacturing industries;
- tourism;
- information technology and related services;
- agriculture, aquaculture and forestry;
- audiovisual and multimedia production;
- shared services;
- defence, environment, energy and telecommunications; and
- research and development.

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

- have adequate technical and management capacity;
- demonstrate a sound financial situation;
- accounting records must be properly organised and suitable for the analyses required for the assessment and monitoring of the project;
- the taxable profit must not be determined by indirect methods;
- financial contribution, from their own resources or through external financing free of any public support, must represent at least 25% of the eligible costs;
- the beneficiary companies must not be considered in difficulty;
- have their tax and social security situation duly regularised; and
- not be subject to an EU injunction for the recovery of illegal State-aid.

For non-SME projects located in the Lisbon and Algarve regions, Article 4(4) CFI imposes additional restrictions. Only investments in new establishments or

diversification into new activities (not similar to those already carried out) are eligible for contractual tax benefits.

The eligible investments for the tax credit, defined in Article 11 CFI, include various new tangible and intangible fixed assets (such as equipment, machinery, software and patent licenses), as well as employee wages, subject to specific limits and conditions. For non-SMEs, there are additional restrictions on the types of eligible investments and their location.

The tax benefits may include:

- tax credits;
- reduction or exemption from real estate taxes, IMT and IMI, applicable to the buildings used by the investor for the implementation of the project during the period set out in the investment contract; and
- exemption from stamp duty regarding all acts or contracts required to carry out the project.

Investors that meet the above-mentioned requirements, can apply for contractual tax benefits granted to productive investments if their projects meet at least one of the following conditions may qualify for contractually defined fiscal benefits:

- 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 (for large enterprises) or IAPMEI (for SMEs) before the start of the investment project.

Approved projects are subject to ongoing monitoring and reporting obligations, and all supporting documentation must be retained for audit purposes. 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.

#### 4.5. OTHER PROPERTY TAX EXEMPTIONS

In addition to the exemptions of property taxes set out in the Investment Tax Code, municipalities have the discretion to grant total or partial exemptions from IMI or IMT for certain qualifying investments within their jurisdiction under the Municipal Finance Law approved by Law 73/2013 of 3 September 2013 (*Lei das Finanças Locais*).

Pursuant to the Municipal Finance Law, these local tax incentives must serve a relevant public interest and have a local or regional economic impact. The exemptions typically apply to urban rehabilitation initiatives located in areas officially recognised for urban renewal.

The process for awarding these exemptions involves the municipal assembly, which acts upon a proposal from the municipal council. The municipal assembly is responsible for adopting regulations that set out the criteria and conditions governing the granting of total or partial exemptions from municipal taxes and other local levies.

The measures are required to be general in scope and to observe the principle of equal treatment. Exemptions may be granted for a maximum period of five years, with the possibility of a single renewal for an additional five years.

The granting of these benefits is subject to a municipal resolution, which is often linked to objectives such as local economic development, job creation, or urban rehabilitation. Only eligible expenses are covered, and these typically exclude routine operational costs. Applicants must demonstrate that their projects are viable and comply with requirements similar to those set out in the Tax Benefits Statute and the Investment Tax Code.

#### 4.6. TAX INCENTIVES FOR WAGE INCREASES

Companies subject to corporate income tax may benefit from an additional 100% tax deduction on employment-related expenses associated with salary increases granted to employees under "permanent employment contracts", under Article 19-B EBF.

This incentive covers both the fixed salary increases and the related employer social security contributions.

The scope of the incentive is expressly limited to salary increases granted in the context of "updated or newly negotiated collective bargaining agreements".

To qualify, companies must demonstrate that their average annual base salary increased by at least 4.7% compared to the previous year, and that employees earning below the company's average wage received individual increases of no less than 4.7%.

The incentive is subject to a quantitative ceiling by limiting eligible expenses per employee to an amount corresponding to five times the national minimum wage, resulting in a maximum additional deduction of €4,350 per employee.

#### COMPARATIVE TABLE: BUSINESS TAX INCENTIVES (2026)

Incentive	Tax Benefit (Deduction/Rate)	Key Requirements
<b>Incentive for Business Capitalization (ICE)</b>	Deduction from taxable profit (IRC) based on <b>Euribor 12M + 2% spread</b> , with a <b>20% bonus</b> in 2026.	Net equity increase.
<b>SIFIDE II</b>	<b>32.5% to 82.5%</b> of R&D expenses deducted from tax due.	Direct R&D investment (Indirect/Fund route phased out in 2026).
<b>Productive Investment (RFAI)</b>	<b>25%</b> (up to €15M) or <b>10%</b> (>€15M) deduction from tax due.	Investment in tangible assets (machinery, etc.) that create or maintain jobs.

<b>Contractual Incentives</b>	<b>10% to 25%</b> tax credit + IMI/IMT exemptions for up to 10 years.	Minimum investment of <b>€3 million</b> with strategic impact.
<b>Wage Increase</b>	<b>100%</b> (additional deduction) of the cost of salary increases.	Company must increase wages by at least <b>4.7%</b> in 2026.

# 5. NON-FINANCIAL SUPPORT MECHANISMS

## 5.1. INVESTMENT PROJECTS TRACKING SYSTEM

Portugal has established an investment projects tracking system under Decree-Law 154/2013 of 5 November 2012, which serves to monitor projects through the various regulatory and administrative authorities responsible for issuing the permits and licenses required to launch such project.

The tracking system is not a fund allocation programme. The advantage of this system is to ensure a speedy approval of projects requiring multiple licenses and the coordination of the various authorities and regulators that may impact the project implementation.

Tracking of the necessary approvals is made by an Investors Support Committee (*Comissão Permanente de Apoio ao Investidor*) led by AICEP. To benefit from the tracking support mechanism, the project must meet the following requirements:

- have proven economic viability;
- be environmentally and territorially sustainable; and
- demonstrate a positive impact in at least three of the following areas:
  - generating gross local added value;
  - production of innovative, tradable goods and services that confer a competitive edge in the global market;
  - implementing innovative technological processes or those developed in partnership with accredited scientific and technological entities;
  - aligning with a region's smart specialisation strategy and/or contribution to revitalizing low-density economic territories;

- enhancing external economic equilibrium, particularly through increased exports or reduced imports;
- promoting energy efficiency or using renewable energy; or
- spillover effects on upstream or downstream activities, especially benefiting small and medium-sized enterprises.

There is no minimum investment amount threshold or specified number of jobs to be created.

## 5.2. PIN AND PII PROJECTS

When a project is recognised as a PIN it will have priority in licensing procedures as well as benefiting 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 consultation period for the relevant administrative and regulatory 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.

For each PIN Project, a dedicated project manager is appointed to oversee, coordinate, and streamline all administrative procedures required for its implementation.

This manager acts as the primary point of contact between the project promoter and the public administration, ensuring interaction among the various authorities involved and facilitating the project's progression in accordance with the applicable legal frameworks.

To be recognised as PIN, a project must satisfy the following cumulative requirements:

- represent a global investment equal to or greater than 25 million euros;

- create at least 50 direct jobs;
- be presented by investors of recognised suitability and credibility;
- have proven economic viability; and
- are susceptible to adequate environmental and territorial sustainability.

Projects that do not meet the thresholds for investment and/or job creation may still be recognised as PIN exceptionally provided they meet the remaining statutory conditions and fulfil at least two of the following additional criteria:

- their internal research and development ("R&D") activity worth at least 10% of the company's turnover;
- there is a strong component of applied innovation, translated into a significant part of its activity anchored in patents developed by the company;
- the project is deemed to have a manifest environmental interest;
- there is a strong export vocation, translated by a minimum of 50% of its turnover directed to the international market; or
- there is relevant production of tradable goods and services.

The Portuguese Government provides a similar support scheme for investments in inland areas of the country named "PII", the acronym for "Projetos de Investimento para o Interior", which benefit from a similar system of administrative monitoring, coordination and procedural facilitation, but are subject to less demanding eligibility requirements.

PII projects are geographically restricted. In general, a project may qualify as a PII if it is located in an eligible inland region (you may verify eligible regions here) and meets lower investment and employment thresholds than those required for PIN status, involving:

- a minimum overall investment of 10 million euros; and
- the creation of at least 25 direct jobs, provided that the project demonstrates economic viability and a positive impact on the local or regional economy or at least in three of the following areas:
- use of endogenous resources of the region in which they are located;

- enhancement of the region's natural or cultural heritage;
- insertion into the region's specialisation strategy;
- production of tradable goods and services, of an innovative nature, which provides for a competitive advantage in the global market;
- introduction of innovative technological processes or those developed in collaboration with entities from the regional scientific and technological system; or
- knock-on effects on upstream or downstream activities, particularly in small and micro-enterprises in the region in which they operate.

Like PIN projects, PII projects benefit from coordinated administrative follow up, priority handling by public authorities and procedural streamlining, including the appointment of a project manager acting as the liaison between the investor and the public administration.

## 6. FINAL REMARKS

Below are the key aspects to be considered by investors considering doing business in Portugal:

- **Why Portugal.** Portugal is a highly attractive destination for international investment, offering political stability, security, and a favourable business environment, further enhanced by its EU membership.
- **Government investment programmes.** The government has implemented substantial investment programmes: Portugal 2030 (€23,000 million, 2021-2027) and PRR (€16,600 million, 2021-2026), under which significant financial incentives are provided to investors.
- **Types of incentive schemes.** Portugal offers a wide range of incentive schemes, including EU-funded grants under tax benefits and job creation programmes. These include repayable and non-repayable financial support, tax credits, exemptions from property taxes, and co-funding for training and employment initiatives.
- **Strict eligibility criteria.** Eligibility for incentives is subject to strict criteria, including compliance with tax and social security obligations, financial soundness, and, in most cases, the establishment of a local subsidiary or partnership with a local company for foreign investors. Evaluation of the merit of applications may contain subjective elements. Investors should ensure that the technical solutions and project proposals are defensible and contest decisions of the more subjective aspects of the application.
- **Formal application procedures.** Application procedures are formal and sometimes cumbersome. Most procedures require detailed documentation, including investment plans, financial statements, business plans, and various legal certificates. Submissions are made via dedicated online platforms.
- **Tax incentives.** Tax incentives are available for investments exceeding €3 million, including contractual tax benefits, exemptions from property taxes and corporate income tax deductions for wage increases and R&D investments.
- **Non-financial support mechanisms.** Portugal has created an investment projects tracking system and priority status for large-scale projects, known as PIN,



as well as strategically significant inland local projects that facilitates administrative procedures and licensing.

© 2026 MACEDO VITORINO

### **IMPORTANT NOTICE**

This document was produced with the assistance of KEY TERMS, a multi-model legal AI software that integrates the following large language models (LLMs): Perplexity, Grok, and ChatGPT. All AI generated output was revised and rewritten by human lawyers.

The opinions expressed in this briefing are of general nature and should not be considered as professional advice. Should you need legal advice on these matters you should contact a lawyer. If you are a client of MACEDO VITORINO, you may contact us by email addressed to [mv@macedovitorino.com](mailto:mv@macedovitorino.com).



# 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 Km<sup>2</sup>, 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.

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. The Government is led by a Prime Minister.

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.



M A C E D O • V I T O R I N O

MACEDOVITORINO.COM