

TAX MEASURES

2026 STATE BUDGET

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SUMMARY

The final version of the 2026 State Budget (2026 SB) approved by the Parliament includes some changes when compared to the Government proposal presented in October 2025.

In addition to the measures included in the Government proposal – update of PIT brackets, reduction of the PIT rates applicable to the 2nd to 5th brackets, and extension of the wage enhancement incentive - the final version of the 2026 SB contemplates new rules on the deduction of teleworking expenses.

STATE BUDGET – TAX MEASURES

Law No. 73-A/2025 approved the State Budget for 2026 (2026 SB). The final version of the 2026 SB includes some additional changes beyond those included in the initial version.

This newsletter summarizes the main tax changes foreseen in the 2026 SB.

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.
- **Negative scope of incidence*.** The compensations and allowances paid to firefighters for voluntary activity will not be subject to income tax (PIT), up to an annual limit of six times the social support index (€3,222.78) per firefighter.
- **Special rates*.** The compensations and allowances paid to firefighters for their activity are no longer considered tips for PIT purposes and, therefore, are no longer subject to special rates (up to an annual limit of three times the social support index, i.e., €1,611.39 per firefighter).
- **Deductions for high-wear professions*.** Expenses for health insurance, personal accident insurance, and life insurance that include coverage for sports injuries and retirement supplements can now be deducted for PIT purposes, provided they relate to individuals in high-wear professions.
- **Deduction of VAT*.** The deduction of part of the VAT paid on certain expenses will be extended to the purchase of books from specialized stores, tickets for cultural performances (theatre, music, dance, and other artistic activities), visits to museums, historical sites and monuments, as well as expenses for borrowing books and other materials from libraries and archives.

CORPORATE INCOME TAX

In relation to the Corporate Income Tax (**CIT**), the 2026 State Budget includes the following changes:

- **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.
- **Social utility expenditures*.** Compensation paid to employees for additional teleworking expenses is now recognised as a tax-deductible expense of the company, up to 15% of personnel costs. Furthermore, these expenses are eligible for a 10% additional relief when calculating taxable profit. Additional teleworking expenses include costs related to IT or telecommunications equipment and systems necessary for work, provided the employees did not already have them prior to the teleworking agreement.

It should be noted that the announced reduction of the CIT rate from 20% to 19% in 2026 was approved by [Law No. 64/2025](#).

VALUE ADDED TAX

Regarding Value Added Tax (**VAT**), the following measures have been approved:

- **Exemptions on operations related to suspensive regimes*.** VAT exemption now covers not only the sale of tricycles, wheelchairs, and passenger cars for the personal use of people with disabilities, but also sales made to non-profit entities such as associations, sports federations, IPSS, cooperatives, and associations of and for people with disabilities.
- **Reduced VAT rate.** Application of the reduced VAT rate to:
 - Services related to the processing of olives into olive oil;
 - On the transfer of edible meat and offal, fresh or frozen, from game species of large or small game*; and
 - On the transfer of art objects carried out by registered resellers, in addition to transfers made by the author, heirs, or legatees*.
- **Extension of VAT exemption approved by [Law No. 10-A/2022*](#).** The exemption on the sale of goods used in agricultural activity, such as fertilizers, seeds, cereals, animal feed, and glass

bottles, as well as pet food when supplied to legally established animal protection associations, is extended until 31 December 2026.

- **Extension of the extraordinary support scheme for agricultural production costs*.** This scheme is extended until 31 December 2026.

REAL ESTATE TRANSFER TAX

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

- **Tax brackets adjustments.** Update of RETT brackets by 2%.

TAX BENEFITS

The 2026 State Budget includes the following amendments 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 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

Finally, the 2026 State Budget 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:
 - For the taxable period starting on or after January 1, 2025; and
 - 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.

****Changes introduced during the discussion of 2026 SB at the Parliament.***

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