

2027 STATE BUDGET PROPOSAL: TAX MEASURES

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The Government presented the 2027 State Budget Proposal (**2027 State Budget**). In this newsletter, we summarise the main proposed changes.

PERSONAL INCOME TAX (PIT)

The proposed PIT changes are as follows:

- **Update of income brackets and rates (Article 68 of the PIT Code).** The 2027 State Budget Proposal provides for a 3.88% increase in the income bracket thresholds, a reduction in the standard rates applicable to the first six brackets and a reduction in the average rates applicable to all brackets, as shown in the following table:

2026 brackets	2027 brackets	2026 rates		2027 rates	
		Standard	Average	Standard	Average
Up to 8,342	Up to 8,666	12,50	12,500	12,20	12,200
From 8,342 to 12,587	From 8,666 to 13,075	15,70	13,579	15,20	13,212
From 12,587 to 17,838	From 13,075 to 18,530	21,20	15,823	20,70	15,416
From 17,838 to 23,089	From 18,530 to 23,985	24,10	17,705	23,60	17,277

2026 brackets	2027 brackets	2026 rates		2027 rates	
		Standard	Average	Standard	Average
From 23,089 to 29,397	From 23,985 to 30,538	31,10	20,579	30,60	20,136
From 29,397 to 43,090	From 30,538 to 44,762	34,90	25,130	34,60	24,732
From 43,090 to 46,566	From 44,762 to 48,373	43,10	26,472	43,10	26,104
From 46,566 to 86,634	From 48,373 to 89,995	44,60	34,856	44,60	34,658
Over 86,634	Over 89,995	48,00	-	48,00	-

- **Update of the first bracket of the additional solidarity rate.** In 2026, the first bracket for the application of the 2.5% additional solidarity rate started at taxable income of EUR 80,000. The 2027 State Budget Proposal raises this threshold to EUR 89,995, while maintaining the 5% additional rate on taxable income exceeding EUR 250,000.
- **Extension of the Return Programme.** The 2027 State Budget Proposal extends the tax regime for former residents under Article 12-A of the PIT Code to individuals who become Portuguese tax residents by the end of 2027. Where applicable, the regime exempts 50% of employment income and business and professional income, up to EUR 250,000, for five years.
- **Update of the minimum subsistence threshold.** The reference amount for the minimum subsistence threshold will be the higher of EUR 13,580 (EUR 12,880 in 2026) and $1.5 \times 14 \times$ the Social Support Index (IAS), reflecting the expected increase in the guaranteed minimum monthly wage for 2027.
- **Tax incentive for employee housing.** The 2027 State Budget Proposal extends the PIT and social security exemption applicable to benefits in kind arising from the use of permanent accommodation provided by the employer in Portugal, up to the rent limits under the Affordable Rental Programme, even where the properties are not included in that programme. Employers may apply to these properties a depreciation rate equal to twice the rate provided for in Regulatory Decree no. 25/2009 of 14 September. The regime does not apply to income recipients who directly or indirectly hold at least 10% of the employer's share capital or voting rights.

- **Incentive for productivity and performance bonuses, profit-sharing payments and balance-sheet bonuses.** As under the 2026 State Budget, the 2027 State Budget Proposal maintains the PIT and social security contribution exemption for productivity and performance bonuses, profit-sharing payments and balance-sheet bonuses, up to 6% of the employee's annual base salary. The benefit remains conditional on the employer having implemented a salary increase eligible for the tax incentive for salary increases under Article 19-B of the Tax Benefits Code (a minimum increase of 4.5%, as noted below).

CORPORATE INCOME TAX (CIT)

- **Reduction of the general CIT rate.** In line with the reduction already approved by Law no. 64/2025 of 7 November, the general CIT rate will decrease from 19% to 18% for tax periods beginning in 2027.
- **Autonomous taxation.** As under the regime applicable in 2026, the 2027 State Budget Proposal maintains certain exceptions to the 10% increase in autonomous taxation rates applicable to taxpayers reporting a tax loss. This increase will not apply where the taxpayer reported taxable profit in at least one of the previous three tax periods and complied with its filing obligations (Model 22 and IES) in the previous two periods. The exception also applies to the first tax period of activity and the following two tax periods.

TAX BENEFITS AND INVESTMENT SUPPORT

Regarding tax benefits and investment support, the 2027 State Budget Proposal provides for the following measures:

- **Tax incentive for salary increases.** The 2027 State Budget Proposal changes the eligibility requirements for the tax incentive for salary increases under Article 19-B of the Tax Benefits Code (TBC), which allows a 200% deduction of costs relating to salary increases granted to employees under open-ended employment contracts. In 2026, the benefit required a minimum 4.6% increase in employees' annual base salary. For 2027, the Proposal lowers this threshold to **4.5%**, thereby easing the eligibility requirement. Employees whose annual base salary is equal to or lower than the company's average annual base salary must also receive a minimum increase of 4.5%. The incentive remains in force until 31 December 2027.

- **SIFIDE II.** The 2027 State Budget Proposal extends SIFIDE II for a further year. This regime, provided for in Articles 35 et seq. of the Investment Tax Code (**ITC**), allows companies to claim a CIT tax incentive for expenditure on research and development (R&D) activities and will therefore continue to apply in 2027.
- **Extension of tax benefits.** Several tax benefits are extended until 31 December 2027, including those relating to the financial system and capital markets, sports, cultural and recreational associations, road passenger and freight transport, and the consolidation of rural properties, as well as the extraordinary support scheme for agricultural production costs. Tax benefits relating to urban properties undergoing rehabilitation, intellectual property, common land and patronage are extended until 31 December 2031.

MUNICIPAL PROPERTY TRANSFER TAX (**IMT**)

- **Update of the tax brackets.** The 2027 State Budget Proposal provides for an increase of approximately 2.3% in the IMT brackets applicable to the acquisition of urban properties intended for residential purposes. For properties acquired exclusively as the purchaser's own permanent residence, the exemption threshold increases from EUR 106,346 to EUR 108,792. Also for acquisitions of properties intended as the purchaser's own permanent residence, the flat 6% rate will apply to acquisitions with a value between EUR 676,185 and EUR 1,177,323 (instead of EUR 660,982 and EUR 1,150,853), while the 7.5% rate will continue to apply above that amount. For acquisitions of other residential properties, the flat 6% rate will apply to values between EUR 648,511 and EUR 1,177,323. For individuals aged 35 or under who meet the statutory requirements (Young IMT), the full exemption will cover acquisitions up to EUR 338,141.

EXCISE DUTIES (**IEC**)

The following proposals are included in relation to excise duties:

- **Arbutus berry spirit.** The reduced alcohol tax rate (25% of the standard rate) applicable to arbutus berry spirits produced and distilled in the specified municipalities is extended until 31 December 2027.
- **Removal of exemptions from the Tax on Petroleum and Energy Products (ISP).** The gradual removal of exemptions for petroleum and energy products will continue: fuel oil and other products used in electricity generation and cogeneration will remain subject to 100% of the ISP

rate and the CO2 emissions surcharge, while natural gas used in those activities (except in the Autonomous Regions) will remain subject to 50% of the applicable rate.

- **Marked and coloured diesel.** Vehicles used by forest firefighter teams may use marked and coloured diesel.

FINANCIAL CONTRIBUTIONS

Under the 2027 State Budget Proposal, the following financial contributions will remain in force in 2027:

- Audiovisual contribution;
- Banking sector contribution;
- Pharmaceutical industry contribution;
- Extraordinary contribution on suppliers of medical devices to the National Health Service; and
- Extraordinary contribution on the energy sector.

However, the audiovisual contribution amounts will not be updated in 2027 and will remain at the levels applicable in 2026.

OTHER MEASURES

The 2027 State Budget Proposal also includes the following measures:

- **VAT.** The VAT exemption with the right to deduct input VAT applicable to supplies of fertilisers, soil improvers, flour, cereals, seeds and other products intended for feeding farm animals, glass bottles, and products intended for feeding companion animals housed by legally established animal protection associations is extended until 31 December 2027.
- **Inventories.** The following taxpayers are exempt from the obligation to value inventories for the purposes of the reporting requirement under Article 3-A of Decree-Law no. 198/2012: (i) all taxpayers, for tax periods beginning on or after 1 January 2026; and (ii) taxpayers not required to maintain a perpetual inventory system, for tax periods beginning on or after 1 January 2027.

- **SAF-T.** The submission of the SAF-T (PT) accounting file under Ministerial Order no. 31/2019 is postponed again and will apply to the 2028 and subsequent periods, for submission in 2029 or subsequent years.
- **Invoices.** Until 31 December 2027, invoices in PDF format will be accepted and treated as electronic invoices for all purposes under tax law.

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