



State Budget for 2020

Relevant tax changes

Following its approval on general terms, on January 10, 2020, the State Budget for 2020 was approved in a final global vote by the Assembly of the Republic on February 6.

In this publication, we will present some of the most relevant changes in the tax sphere.

It should be noted that this is a continuity budget and, as such, not very innovative, due to legislative changes that took place at the end of 2019.

Personal Income Tax (“IRS”)

With regard to this tax, we highlight the changes related to local accommodation.

Thus, under the simplified regime for determining the taxable income of the exploitation of local accommodation establishments, in the form of housing or apartment, located in a containment area, a coefficient of 0.50 (instead of 0.35) is applied.

In addition, capital gains arising from the transfer to the entrepreneur's private sphere of real estate property assigned to his activity are excluded from taxation, as business income (they were treated as a capital gain from sale of property).

Corporate Income Tax ("IRC")

Referring, once again, to the simplified regime of determination of taxable amount, also in the case of corporate income tax the coefficient applied to income derived from the exploitation of local accommodation establishments, in the form of housing or apartment, located in a containment area, is aggravated from 0.35 to 0.50, maintaining the coefficient of 0.35 for the rest.

Value Added Tax ("IVA")

Credits will be considered as doubtful debts provided that they have been in default for more than 12 months (instead of 24 months) since its due date and there is objective evidence of impairment and steps have been taken to receive it.

In addition, the request for prior authorization to settle the tax contained in credits considered as doubtful debts will now have to be assessed by the Portuguese Tax Authority within a maximum period of 4 months (instead of 8 months), after which it is considered rejected, with the exception of invoices with a value of less than € 150,000 (VAT included).

Still within the scope of doubtful debts, the required certification can now be carried out by an independent certified accountant, for the purpose of recovering VAT, when the tax settlement does not exceed € 10,000 per periodic declaration.

Stamp Duty ("Imposto do Selo")

The exemption for financial transactions between companies in a controlling or group relationship is autonomous and becomes applicable to loans, including its respective interest, for a term not exceeding 1 year, under a centralized treasury management contract.

The exemption applicable to restructuring operations, namely mergers, divisions and the entry of assets, now covers the transfer operations of commercial, industrial or agricultural establishments (goodwill) necessary for the restructuring or cooperation agreements.

Property Tax ("IMI")

We emphasize the extension of the application of the increased rate of IMI to vacant buildings located in urban pressure zones, to buildings in ruins and land for housing construction, when located in these areas.

This increase consists of the possibility of increasing the IMI rate to six times more, which may be increased by another 10% in subsequent years, with a maximum limit of 12 times.

Municipal Property Transfer Tax

A new tax bracket is introduced, corresponding to the application of the rate of 7.5% to the acquisition of urban buildings intended for housing, whose tax base is greater than € 1,000,000.

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