Portugal to enact extraordinary investment relief

Portugal is expected to introduce an extraordinary investment relief regime during 2013. This is one of the measures being considered to boost investment and help the economic growth and creation of jobs. The regime aims at promoting investment during the second half of 2013.

The benefit would be a tax credit of 20% of the eligible investment amount (with a cap of €5,000,000), i.e., the maximum tax credit shall amount to €1,000,000, which is deductible up to 70% of the annual corporate tax liability. The tax credit amount that cannot be utilized in 2013 may be carried forward during the next 5 years.

Eligible investment includes new tangible fixed assets and intangible fixed assets (if subject to depreciation as per the tax law) that are allocated to the business activity until the year-end of the tax year commencing on or after 1 January 2014. The following assets are not eligible for the investment credit:

- Cars, boats and airplanes, except when allocated to the exploration of the public transportation service or are aimed at being leased within the taxpayer’s business activity;
- Furniture and comfort or decoration items;
- Construction, acquisition, repair and expansion of any buildings, except if used in productive or administrative activities;
- Land;
- Assets allocated to activities carried out in accordance with concession agreements entered with public entities; and
- Assets acquired from related parties.
Eligible assets should be maintained for a minimum period of five years or, whenever lower, until the end of the minimum economic life or until they are dismantled, abandoned, destroyed, in accordance with the conditions stated in the tax law.

Other relevant news

Under the existing contractual regime for investment, which allows several tax benefits (tax credits, reduction/exemption of taxes), the minimum required threshold is reduced from the current €5,000,000 to €3,000,000, in order to enable its application to more companies.

Finally, the period of reply for urgent advance binding rulings is reduced from 120 days to 90 days.
For additional information with respect to this Alert, please contact the following:

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