

# NEWSLETTER

STATE BUDGET LAW FOR 2025

P.A.R.E.S.<sup>®</sup>

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# PERSONAL INCOME TAX

Regarding progressive tax rates, the thresholds for each bracket have been updated, and the table is now as follows:

Taxable Income (€)	Rate	Amount to deduct (€)
Up to 8.059	13,00%	0,00
More than 8.059 up to 12.160	16,50%	282,07
More than 12.160 up to 17.233	22,00%	950,91
More than 17.233 up to 22.306	25,00%	1.467,91
More than 22.306 up to 28.400	32,00%	3.029,38
More than 28.400 up to 41.629	35,50%	4.023,14
More than 41.629 up to 44.987	43,50%	7.353,76
More than 44.987 up to 83.696	45,00%	8.028,38
More than 83.696	48,00%	10.539,00

- **Withholding tax rate on overtime work:** The IRS rate applicable to overtime work for tax residents will now correspond to 50% of the rate applicable to the monthly remuneration for the month in which the payment is made or made available (instead of 100%);

## YOUTH PERSONAL INCOME TAX:

03

- The maximum age for the benefit has been increased from 30 to 35 years;
- The maximum duration of the benefit has been extended from 5 to 10 years;
- Access to the regime will no longer depend on the level of education and will begin from the first year of work in which the individual submitted an IRS return, not being considered a dependent;
- Individuals benefiting from the Non-Habitual Resident (NHR) regime or similar, the tax regime for former residents, or those without regularized tax status, will be excluded from this regime;
- The exemption limit has been increased from 40 times the Social Support Index (IAS) to 55 IAS (€28,737.50), as follows:
  - 100% in the 1st year;
  - 75% from the 2nd to the 4th year;
  - 50% from the 5th to the 7th year;
  - 25% in the remaining years.

## OTHER CHANGES:

- **Meal Allowance:** Increase in the value of the meal allowance not subject to IRS when provided through meal vouchers, from the daily amount of €9.60 to €10.20;
- **Self-Employed Workers:** The IRS monthly withholding tax rate for individuals engaged in professional activities listed in article 151 of the IRS Code will be reduced from 25% to 23%;
- **Payments on account:** The amount due by holders of category B income will be reduced from 76.5% to 65%;

# CORPORATE INCOME TAX

## RATES:

- The standard IRC rate is reduced from 21% to 20%;
- For Small Medium Sized companies and Small Mid-Caps, the rate on the first €50,000 is reduced from 17% to 16%.
- Employer expenses on health or sickness insurance contracts will now be considered for the purposes of social utility benefits as a cost at a value corresponding to 120%.



## AUTONOMOUS TAXATION:

- Regarding autonomous taxation on vehicle-related expenses, the rates will be reduced as specified in the following table:

2024		2025	
Price of the vehicles	Rate	Price of the vehicles	Rate
Less than €27,500	8,5%	Less than €27,500	8%
Equal or above to €27,500 and less than €35,000	25,5%	Equal or above to €27,500 and less than €35,000	25%
Equal or above to €35,000	32,5%	Equal or above to €35,000	32%

- The aggravated autonomous rate of 10% (applicable when there are tax losses) will not apply in 2025 if:
  - the taxpayer has generated taxable profit in one of the three previous years and has timely fulfilled the declarative obligations related to the submission of Model 22 and IES for the previous two years; or
  - the year 2025 corresponds to the beginning of activity or one of the following two years.
- Additionally, expenses related to shows offered to clients, suppliers, or others will no longer be subject to autonomous taxation.

# INDIRECT TAXES

## **REAL ESTATE TRANSFER TAX (IMT):**

- Changes in the thresholds for determining the IMT rate applicable to property purchases for primary residence, secondary residence, as well as an increase in the value covered by exemption under the IMT regime for people younger than 35;
- Transfers of rural properties necessary for consolidating adjacent or neighboring plots will be exempt from IMT.

## **STAMP DUTY (IS):**

- Increase in thresholds defining the exemption from Stamp Duty under the IMT regime for people younger than 35 (consequently, the exemption will apply to a higher purchase value).
- The Stamp Duty Code will include provisions for data transmission between the Institute of Registries and Notaries, the Public Treasury and Debt Management Agency, and the Tax and Customs Authority;
- Transfers of rural properties necessary for consolidating adjacent or neighboring plots will be exempt.

## **VALUE ADDED TAX (IVA):**

- Introduction of new goods and services subject to the reduced VAT rate, including food products intended for infants and young children;
- Bicycle expenses, with or without a motor, will be included as a deduction for VAT purposes (this change has been given an interpretative nature).

## **VEHICLE TAX (ISV):**

- Certain hybrid engine cars will now be taxed at the standard rate of 25%;
- Changes to the regime for vehicles with EU license plates issued by other Member States.

## **EXCISE DUTIES (IEC):**

- Gradual elimination of exemptions for petroleum and energy products, which will ultimately result in a significant increase in ISP (Tax on Petroleum Products);
- Changes to the minimum total reference tax on tobacco;
- Extension of the reduced tax rate on alcoholic beverages for products produced in certain regions of Portugal.

# TAX BENEFITS

## **CORPORATE INCOME TAX:**

- Fiscal incentive for wage valorization: applies when the worker's annual wage increase is at least 4.7% compared to the previous year (instead of the current 5%). Additionally, it requires an average increase of at least 4.7% for workers earning equal to or less than the company's average wage;
- Incentive for company recapitalization: this benefit will now be calculated by applying the average 12-month Euribor rate for the tax period, based on the last day of each month, plus a 2% spread. Furthermore, in 2025, capitalization under these terms will be increased by 50%, with the amount calculated subject to the respective limits.

## **PERSONAL INCOME TAX:**

- Incentive for company recapitalization: the possibility of deducting 20% of capital contributions in cash from the gross amount of profits distributed by the company or, in the case of a transfer, from the value of capital gains, will remain in force. This benefit will no longer be subject to company-related requirements.

## **EXEMPTION IN IRS AND SOCIAL SECURITY:**

- Productivity bonuses, performance bonuses, profit sharing, and balance sheet bonuses:
  - Exemption from IRS and exclusion from Social Security contributions for amounts paid in 2025 to workers or company board members as bonuses, up to a limit of 6% of the annual base salary;
  - For eligibility, the employer must meet the conditions provided in the wage valorization incentive;
  - The applicable tax rate will be that corresponding to the monthly salary at the time the bonus is paid or made available to the worker.

## **Madeira Free Trade Zone:**

- The fiscal benefit of a reduced IRC rate (5%) will continue for entities licensed to operate in the Madeira Free Trade Zone.

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