GOVERNO DE PORTUGAL

SECRETÁRIO DE ESTADO DOS ASSUNTOS FISCAIS

Tax Investment Package 2013

Lisbon, 23rd of May, 2013

A. CIT credit to boost investment

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1 Main Features

- A CIT super-credit **without precedent** in Portugal
- Companies may benefit from a **CIT general rate of 7,5%** during 2013
- Strong incentive to **begin investments during 2013** that were scheduled for later years
- Strong incentive to choose Portugal as a destination for investment **in 2013 when compared to other jurisdictions**
- Covers the **entirety of investment made by 99% of Portuguese companies**

A. CIT credit to boost investment

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2 Description of measure

Amount	• CIT credit for **20% of the investment made,** up to **70% of CIT collection** • Can potentially **reduce the CIT general rate to 7,5%**
Eligible Investments	• Made between **June 1st and December 31st of 2013** • Maximum investment of **5.000.000 euros** • Deductible against the CIT Collection during **5 years** (if the CIT collection of any of the previous years is insufficient to absorb the entirety of the tax credit)
Eligible costs	• Expenses with the acquisition of new fixed tangible assets and intangible assets that depreciate, when proof is made that the assets are used for the operational activity of the company • Assets must be acquired before **December 31st of 2013** and used for the operational activity of the company before **December 31st of 2014**
Eligible taxpayers	• Those that mainly develop a commercial, industrial or agricultural activity and fulfill the following criteria: – **Company accounts must be regularly organized**, according to national accounting standards and other legal rules that may apply to specific economic sectors of activity; – **Taxable income may not be determined by indirect methods**; and – Company may not have outstanding debts towards the tax and social security authorities
Control Measures	• **Specific penalty framework to ensure effective compliance with regime** • CIT tax return will have specific fields introduced in the tax benefits annex to allow control of the benefit declared by the taxpayer • Expenses with assets that may be subject to personal use are excluded (e.g. furniture, pleasure craft)

3 Examples (1/6)

- A company that in 2013 has a **tax base of €45.000**, and makes an eligible investment, between June 1st and December 31st of 2013, **of €40.000**, may benefit from an effective CIT general rate of 7,5% in 2013, as follows:

  - ✓ CIT credit for 20% of the eligible investment, i.e., €8.000.
  - ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €7.875 (70% of €11,250).
  - ✓ As such, this taxpayer will only pay €3.375 of CIT in 2013, **which corresponds to an effective CIT general rate of 7,5%**
  - ✓ The unused credit (€125) may still be deducted against the CIT collection that is determined during the following five fiscal years.

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3 Examples (2/6)

- A company that in 2013 has a **tax base of €250.000**, and makes an eligible investment, between June 1st and December 31st of 2013, **of €220.000**, may benefit from an effective CIT general rate of 7,5% in 2013, as follows:

  - ✓ CIT credit for 20% of the eligible investment, i.e., €44.000.
  - ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €43.750 (70% of €62.500).
  - ✓ As such, this taxpayer will only pay €18.750 of CIT in 2013, **which corresponds to an effective CIT general rate of 7,5%**
  - ✓ The unused credit (€250) may still be deducted against the CIT collection that is determined during the following five fiscal years.

3 Examples (3/6)

- A company that in 2013 has a **tax base of €550.000**, and makes an eligible investment, between June 1st and December 31st of 2013, **of €500.000**, may benefit from an effective general rate of 7,5% in 2013, as follows:

  - ✓ CIT credit for 20% of the eligible investment, i.e., €100.000.
  - ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €96.250 (70% of €137.500).
  - ✓ As such, this taxpayer will only pay €41.250 of CIT in 2013, **which corresponds to an effective general rate of 7,5%**
  - ✓ The unused credit (€3.750) may still be deducted against the CIT collection that is determined during the following five fiscal years.

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3 Examples (4/6)

- A company that in 2013 has a **tax base of €1.100.000**, and makes an eligible investment, between June 1st and December 31st of 2013, **of €1.000.000**, may benefit from an effective general rate of 7,5% in 2013, as follows:

  - ✓ CIT credit for 20% of the eligible investment, i.e., €200.000.
  - ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €192.500 (70% of €275.000).
  - ✓ As such, this taxpayer will only pay €82.500 of CIT in 2013, **which corresponds to an effective general rate of 7,5%**
  - ✓ The unused credit (€7.500) may still be deducted against the CIT collection that is determined during the following five fiscal years.

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3 Examples (5/6)

- A company that in 2013 has a **tax base of €2.250.000**, and makes an eligible investment, between June 1st and December 31st of 2013, **of €2.000.000**, may benefit from an effective general rate of 7,5% in 2013, as follows:

  ✓ CIT credit for 20% of the eligible investment, i.e., €400.000.

  ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €393.750 (70% of €562.500).

  ✓ As such, this taxpayer will only pay €168.750 of CIT in 2013, **which corresponds to an effective general rate of 7,5%**

  ✓ The unused credit (€6.250) may still be deducted against the CIT collection that is determined during the following five fiscal years.

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3 Examples (6/6)

- A company that in 2013 has a **tax base of €5.500.000**, and makes an eligible investment, between June 1st and December 31st of 2013, **of €5.000.000**, may benefit from an effective general rate of 7,5% in 2013, as follows:

  - ✓ CIT credit for 20% of the eligible investment, i.e., €1.000.000.
  - ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €962.500 (70% of €1.375.000).
  - ✓ As such, this taxpayer will only pay €412,500 of CIT in 2013, **which corresponds to an effective general rate of 7,5%**
  - ✓ The unused credit (€37.500) may still be deducted against the CIT collection that is determined during the following five fiscal years.

1 Main features

Tax regime to support investment (“RFAI”)	• **Increase** the duration of the regime from **2013 to 2017** • **Increase** the limit of the tax credit from **25% to 50%** of the CIT collection
Contractual regime benefits for investment projects	• **Reduction of the minimum investment amount from the current 5 million euros to 3 million euros,** broadening the scope of the regime to a larger number of investors; • **Establishing a maximum deadline of 60 days for approval of the contracts,** as from the moment the intergovernmental council for the coordination of fiscal incentives (“CICIFI”) has issued its findings
Rulings	• **Reduction of 30 days regarding the maximum deadline for issuing rulings by the tax authorities,** so as to confer greater security and stability in the interpretation of tax law for investors.
International Investor Tax Office	• **A team will be allocated to promptly clarifying and supporting** potential international investors regarding all tax questions. This team will work in coordination with **aicep Portugal Global - Trade & Investment Agency**

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