The Corporate Income Tax Reform

TAX

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January 21, 2014

The Corporate Income Tax Reform ("CIT Reform") represents one of the most ambitious tax initiatives undertaken by the Portuguese Government.

Law no. 2/2014, of January 16, embodies this Reform putting forth a set of measures that aim to raise the competitiveness of the Portuguese tax system, to foster investment in the country and to reinstate Portugal's position in the European context.

In this context, we highlight the reduction of the nominal CIT rate, the extension of the tax losses deduction term, the decrease in the net financial costs deductibility threshold and the simplification of several compliance obligations.

More importantly, the CIT Reform sets out a worldwide participation exemption regime, applicable to capital gains and dividend payments inbound and outbound, as opposed to its very limited preceding regime (which was basically applicable to holdings in EU-companies and, provided some conditions were met, to holdings in subsidiaries established in Portuguese speaking countries).

Under the new regime companies qualify for the participation exemption regime whenever a minimum participation of 5% in the share capital or voting rights (formerly, 10%) is held for at least 24 months (formerly 12 months). Even though we understand the rationale behind the increase in the minimum participation holding period from 12 to 24 months – the need to ensure that the investment in Portugal is made with a medium/long term mind-set – we believe it would have been more sensible to keep the initial requirements presented in the CIT Reform proposal of (i) a minimum participation of 10% in the share capital or voting rights and (ii) a minimum holding period of 12 months or an alternative regime that encompassed both options.

Finally, it is noteworthy to mention that the CIT Reform was enacted on the basis of a broad political consensus achieved between the governing coalition and the opposition Socialist Party, thus giving investors greater confidence as to its implementation and stability in the coming years.

Competitiveness and promoting investment

Progressive reduction of the CIT rate

The CIT Reform sets out a reduction of the general CIT rate from 25% to 23%, effective immediately.

Taxable income within the first bracket of EUR 15,000 will be subject to a special reduced CIT rate of 17%, applicable only to small or medium enterprises ("SME").

Under the Reform a new bracket for the application of State Surcharge arises: taxable profits in excess of EUR 35,000,000 will be subject to a rate of 7%.

It is further intended by the CIT Reform to reduce the general CIT rate from 23% to 21% in 2015 and to 17% or 19% in 2016. However, this reduction will depend on the results achieved by this Reform, the assessment of the country's economic and financial progress and the (expected) reform of the Value Added Tax ("VAT") and Personal Income Tax ("PIT") systems.

Contrary to the proposal, and as a result of the parliamentary negotiations, the CIT Reform does not foresee the elimination of Municipal and State Surcharges in 2018.

Tax losses regime

The period in which tax losses may be carried-forward is increased from 5 tax years to 12 tax years. This extension is applicable to tax losses generated from January 1, 2014, onwards.

In the opposite direction, the tax losses deduction threshold is aggravated to a limit of 70% of the taxable profits assessed on a yearly basis (to date, this limitation was of 75%). This threshold is applicable to deductions against the taxable profits assessed from January 1, 2014, onwards.

Certain subjective facts that withdrew the right to carry forward tax losses have been eliminated.

For example, changing the business scope of a company or modifying its economic activities in a substantial manner are no longer impeditive of the right to deduct tax losses assessed in tax years prior to such situations.

The majority of the events that imply the change of ownership or control of a company continue to jeopardize the carry-forward of tax losses, except when:

> There is a change from direct to indirect ownership (and vice-versa);
> The special tax neutrality regime is applicable to the transaction;
> The change of ownership occurs upon death of the previous shareholder;
> The acquirer holds directly or indirectly 20% of the share capital or the majority of voting rights, at least from the beginning of the tax year in which the tax losses were incurred;
> The acquirer is an employee or a board member of the acquired company, provided that such person holds that position (at least) from the beginning of the tax year in which the tax losses were incurred.

In line with the current statute of limitation for corrections to the taxable profits (4 years) the CIT Reform also reduced from 5 to 4 taxable years the timeframe for tax authorities to perform any corrections to tax losses.

The carry-forward of tax losses is also simplified in the context of tax neutral transactions, where the carry-forward no longer requires prior approval by the Minister of Finance, provided that the carry-forward is proportional to the net assets contributed by the "loss-making" company.

Tax "amortization and depreciation" of intangible assets, investment properties and non-consumable biological assets

The cost basis of intangible assets without a determined lifecycle is deductible, pursuant to the straight-line method, during the first 20 tax years (i.e. 5% per year) counting from the initial record of the asset in the company's books. This regime is applicable to the following intangible assets:

> Industrial property such as trademarks, licenses, production processes, models and other similar rights acquired for consideration and without a determined lifecycle;
> Goodwill arising from business restructuring transactions.

The regime will not be applicable:

> To intangible assets transferred by virtue of mergers, divisions and transfer of assets made pursuant to the special tax neutrality regime;
> To goodwill related with shares;
> To intangible assets acquired to entities resident in a tax haven.

The regime applies to intangible assets acquired on or after January 1, 2014.

Furthermore:

> Costs with the acquisition, major repairs, and improvements made to investment properties; and
> Costs with the acquisition of non-consumable biological assets.

measured according to its fair market value, are deductible, under the straight-line method, during the lifecycle resulting from the application of the minimum depreciation quotas that would be applicable if the assets were measured by its acquisition cost.

In our view, this set of rules aims to increase the added value of Portuguese companies, underlying a relevant innovation in our tax system to foster the international activity and competitiveness of Portuguese companies.

Patent box

The CIT Reform provides for a 50% exemption on the gross income derived from the assignment or temporary use of patents and industrial designs.

This regime, commonly referred to as *patent box*, is applicable to income derived from patents and industrial designs registered as of January 1, 2014.

To tackle abusive planning, it is clarified that income derived outside Portuguese territory will only be eligible for double tax relief in respect of the taxable amount (50%).

Aggravation to the limitation of deductibility of net financial costs

The CIT Reform includes a restrictive measure for companies significantly indebted by reducing the previous net financial costs deductibility threshold from EUR 3,000,000 to EUR 1,000,000. In this respect please note that the alternative limit of 30% of the EBITDA remains applicable.

The CIT Reform also foresees a specific concept of EBITDA for tax purposes, which is similar to the accounting EBITDA but disregards the following items:

- Gains and losses derived from fair market value adjustments that are not recognized for tax purposes;
- Impairments and reversals of non-depreciable or non-amortizable investments;
- Gains and losses from the application of the equity method or the proportional consolidation method;
- Income and gains (or costs and losses) resulting from shares eligible for the participation exemption;
- Energy sector extraordinary contribution.

As per the group relief regime, the dominant company may now elect to assess the group net financial cost under this regime, but stays bound to its use for at least 3 years.

Additionally, the CIT Reform determines specific rules for the carry-forward of eventual excesses (both in case of excessive / non-deductible interest expenditure and unused deduction margin) assessed by companies integrated in the group in tax years previous to the application of the group regime. The referred excesses may only be carried-forward at the level of each individual company.

Simplified taxation regime

The CIT Reform reintroduces an optional simplified CIT regime applicable to taxpayers that meet the following requirements:

- Income not exceeding EUR 200,000 and an overall balance-sheet value not exceeding EUR 500,000 during the previous tax year (we understand that the reference to the balance-sheet total refers to the total value of assets);
- Are not exempt from taxation nor subject to a special taxation regime;
- Are not obliged to legally certify their accounts;
- Are not held, directly or indirectly, in more than 20% of its share capital, by another taxpayer that does not meet the above mentioned requirements;
- Have not waived the application of the simplified regime during the previous 3 years; and
- Adopt the general accepted accounting principles applicable to micro entities, as per Decree-Law n. 36-A/2011, March 9.

Under the simplified CIT regime the taxable basis shall be determined through the multiplication of different coefficients according to the nature of the income, as follows:

- 4% of the sales of goods and services rendered by hotels, restaurants and similar activities, with the possibility to reduce this rate in 50% and 25%, respectively, in the first and second tax years following the beginning of activity;
- 75% of income derived from the performance of professional activities;
- 10% of the income derived from remaining services and subsidies for operation;
- 30% of income derived from subsidies not related with operation;
- 95% of income derived from contracts aiming at the assignment or temporary use of intellectual or industrial property or the provision of know-how;
- 100% of the acquisition value of net worth increases obtained for free.

Companies operating in the fuel, tobacco, vehicles and alcoholic beverages sectors should not include the applicable excise duties in the respective taxable basis for the purpose of the assessment above.

Please note that the taxable basis assessed by this method cannot be lower than EUR 4,074. Taxpayers to which the simplified CIT regime is applicable are exempt from special payment on account.

This regime includes a simplification of ancillary obligations, according to the activity carried out by each taxpayer.

Additionally, taxpayers that elect to be taxed under this regime may deduct to their taxable basis: (i) the double tax relief and (ii) withholding taxes which may not be compensated or reimbursed under the applicable law.

Finally, note that certain costs normally subject to autonomous taxation (such as representation expenses) are not subject to autonomous taxation under this this regime. Costs incurred with passenger vehicles remain subject to autonomous taxation.

Revised transfer pricing regime

The following modifications are introduced to the concept of related parties:

> The relevant participation in the share capital or of the voting rights increases from 10% to 20%;
> An entity qualifies as "dominant" pursuant to the Portuguese Companies' Code;
> An entity is now considered to be economically dependent of another if the relationship between such entities affects the decision making structure in a manner greater than what could happen under normal commercial conditions.

Furthermore, the scope of the transfer pricing regime is extended to transactions between:

> A non-resident entity and its permanent establishment resident in Portuguese territory, or between the latter and other permanent establishments located outside that territory;
> A resident entity and its permanent establishments located outside the Portuguese territory or between the latter.

Broadly, these modifications are welcomed taking into account that the scope of the transfer pricing regime is significantly reduced, with particular emphasis on the reduction of the shareholding percentage, as the previous 10% requirement excessively widened the range of entities deemed to be related.

Tax transparency regime

The Reform extends substantially the concept of professional company.

Any entity that meets any one of the following requirements shall qualify as a professional company:

> The company has been established for the exercise of a professional activity listed in Article 151 of the PIT Code when all the shareholders are professionals of one of these activities;
> The company's income results in more than 75% from the joint or isolated exercise of a professional activity integrated in the list referred to in Article 151 of the PIT Code; provided that, on any day of the tax period, the following requirements are cumulatively met:
(i) the number of shareholders does not exceed 5;
(ii) none of them is a legal person of public law; and
(iii) at least 75% of the share capital is held by professionals carrying out those activities, wholly or partially, through the company.

Taxation of not-for-profit organizations

This regime is amended to allow for the deductibility of costs incurred for carrying out a social, cultural, environmental, sport or educational activity, as opposed to the previous regime which did not allow for a full deduction of costs incurred.

The new regime includes an anti-avoidance provision that excludes the tax deduction of any costs incurred for the direct or indirect economic interest of the statutory body members.

Share capital remuneration

According to the CIT Reform, cash contributions made by the shareholders upon the incorporation or the increase of share capital of a company may be remunerated at a rate of 5% of its amount, which is a tax deductible expense of this company, provided the following requirements are fulfilled:

(i) The company to which the cash contributions are made must qualify as a micro or SME;
(ii) The founding shareholders or the shareholders involved in the share capital increase are individuals, venture capital companies or venture capital investors.

Simplicity, stability and predictability

Clarification of deductible expenses

The concept of tax deductible expenses is clarified as to be harmonized in light of recent court decisions, specialized tax literature and accounting principles.

The same harmonization objective justifies the creation of a list containing mandatory requirements to be included in the documents that evidence the deductible expenses. Unfortunately, this provision may increase litigation around the means used for the deduction of expenses, taking into account that Portuguese tax rules, such as this one, may not be imposed to non-resident suppliers.

Additionally, the CIT Reform clarifies that costs related with the breach of auto-regulatory provisions, as well as costs incurred with autonomous taxation are not deductible for CIT purposes.

Clarifications of the capital gains and losses regime

Several clarifications are made to the capital gains and capital losses regime.

In this respect the following situations are now expressly considered as transfers for consideration:

> The transfer of assets in the context of a merger, division or transfer of assets performed by the merged, split or contributing companies;
> The cancellation or surrender, by the shareholders, of shares in the share capital of the merged, split or acquired company in the

context of operations of merger, division or exchange of shares;

- The cancellation of shares held by the beneficiary company in the merged or split companies as a result of merger or division operations;
- The redemption or amortization of share capital by means of a share capital reduction;
- The cancellation of shares by means of a reduction of share capital aimed at covering the losses of a company, whenever the respective shareholder becomes, as a result of the cancellation, devoid of any participation in this company.

In the context of reorganization operations which do not benefit from the special tax neutrality regime, it is clarified that the *first in first out* (FIFO) principle applies to any transfer for consideration of similar securities conferring identical rights.

It is also clarified that for the assessment of the acquisition value of the shares, the amount of contributions made by the shareholders to cover losses, as well as the amount transferred to the shareholders as consequence of a share capital reduction should be taken into account.

Instead, the taxpayer may elect to apply the weighted average cost method in order to determine the acquisition cost of shares or securities of the same nature conferring identical rights, provided that the following conditions are met:

- Monetary restatement is not applicable;
- The option is applied to all shares belonging to the same portfolio and is maintained for a minimum period of 3 years

Additionally, with respect to the reinvestment regime, the CIT Reform allows the reinvestment to be placed on intangible assets, provided that such assets are not purchased or sold to entities with which a special relation exists pursuant to the transfer pricing regime.

Finally we would like to point out that, according to the CIT Reform, whenever the participation exemption regime is not applicable, the balance resulting from the negative difference between the capital gains and capital losses are fully deductible (formerly this loss was only deductible in 50% of its amount), except if the loss refers to share capital of entities resident in tax havens.

Special tax neutrality regime

Pursuant to the relevant legal provision included in the Reform, the following operations shall be eligible, as of January 1, 2014, to benefit from the special tax neutrality regime:

- Sister mergers without the attribution of shares to the merged company's shareholders, whenever the total amount of share capital is held by the same shareholder;
- Reverse mergers, where the total amount of share capital of the beneficiary company is held by the merged company;
- Division-merger, where at least one branch of the activity is split and integrated in the company that holds the total amount of the share capital of the divided company;
- Division-merger, where at least one branch of the activity is split and integrated in other company, whenever the total amount of the share capital of both companies is held by the same shareholder;
- Division-merger, where at least one branch of the activity is split and integrated in other company, whenever the total amount of share capital of the beneficiary company is held by the divided company.

Tax benefits applicable to the merged company may be applicable to the beneficiary company, provided certain requirements are met.

Likewise, eventual excesses of net financial costs assessed by the merged company in previous tax years may also be transferred to the beneficiary company.

This transfer may also be applicable to division and transfer of assets operations provided an authorisation from the Ministry of Finance is obtained.

Revision and simplification of ancillary obligations for IRC

The Reform includes the simplification of several ancillary obligations. It replaces the need to obtain prior authorization for mere online communications, namely in the following cases:

- Adoption of tax year other than the calendar year;
- Use of depreciation and amortization quotas lower than the minimum legal quotas.

Simplification of the proof regime of access requirements to DTAs and Directives

The Reform simplifies the formalities required to exempt income paid to non-resident entities, whenever a Double Taxation Agreement ("DTA") or an EU Directive is applicable.

Previously, non-resident entities which obtained income exempt from withholding tax had to provide the Portuguese payer (or the tax authorities if the withholding had already occurred) a form duly certified by the competent authorities of its residence country.

The Reform now states that in order to apply for the withholding tax exemption or the reimbursement of the tax withheld under a DTA or a Directive, the non-resident company may submit the form without certification as long as this form is attached to a certificate of tax residence issued by the competent tax authorities of its residence country and disclosing that the company is subject to corporate income tax in this country.

Harmonization of provisions relating to accounting

Certain CIT legal provisions that previously deviated from the accounting standards are now amended, thus harmonizing the two systems.

We highlight the following amendments:

> Asset variations resulting from the purchase or selling of shares are disregarded for taxable income assessment purposes;
> The positive difference between the amount delivered to the shareholders as a result of the share capital reduction and the acquisition value of the shares is to be considered as income.

Irrecoverable credits

The deductibility of expenses associated with the cancellation of an irrecoverable credit is no longer dependent on the notification to the debtor that the latter should recognize the symmetrical positive asset variation.

International Tax Policy

Participation exemption regime

With the purpose of providing the Portuguese tax system with a strong tax regime to promote investment in the country, the CIT Reform implements a broad participation exemption regime through which dividends (inbound and outbound) and capital gains obtained by companies resident in Portugal may be excluded from CIT.

Under this regime, inbound dividends are not subject to CIT provided that the following conditions are met:

(i) the Portuguese shareholding company holds at least 5% of the share capital or voting rights of the distributing entity;
(ii) the participation has been continuously held for 24 months prior to the distribution of the dividends (or, if held for lower period, is kept until the period of 24 months is completed);
(iii) the distributing entity is subject and not exempt from: (i) CIT, (ii) any of the corporate income taxes referred to in the Parent Subsidiary Directive or (iii) a tax of a similar nature with a rate not lower than 60% of the Portuguese CIT rate (i.e. rate not below to 13.8% for 2014) – this condition may be waived under certain circumstances; and,
(iv) the distributing entity is not a resident in a tax haven.

Outbound dividends are exempt from withholding tax at CIT level provided the beneficiary of the income is resident in:

(i) Another EU Member-State;
(ii) A Member State of the European Economic Area (“EEE”) bound to administrative cooperation; or
(iii) A country with which Portugal has concluded a double taxation treaty with administrative cooperation.

and the beneficiary of the income:

(i) holds at least 5% of the share capital or voting rights of the distributing entity;
(ii) holds the participation continuously for 24 months prior to the distribution of the dividends;
(iii) is subject and not exempt from: (i) any of the corporate income taxes referred to in the Parent Subsidiary Directive or (ii) a tax of a similar nature with a rate not lower than 60% of the Portuguese CIT rate (i.e. rate not below to 13.8% for 2014).

In case the 24-month period is not completed, income will be subject to withholding tax. Nonetheless, the beneficiary can petition for a reimbursement whenever the minimum period of 24 months is completed.

Inbound capital gains and capital losses obtained from the sale of shares and other equity instruments are also excluded from CIT, provided that the same requirements described to qualify for the inbound dividends’ exemption are fulfilled.

In this respect, it is important to point out that the CIT exemption for non-resident entities regarding (outbound) capital gains obtained from the sale of shares and other equity instruments remains unchanged.

As an exception, the capital gains exemption regime will not be granted if the assets of the subsidiary are composed of real estate located in Portugal representing, directly or indirectly, more than 50% of its assets, unless these assets are allocated to an agricultural, industrial or commercial activity. Please note that this exception will only be applicable to real estate located in Portugal purchased on or after January 1, 2014.

In order to ensure that there is no distortion between foreign subsidiaries and foreign permanent establishments (“PE”), the CIT Reform allows for a (optional) tax exemption applicable to profits attributable to a foreign PE. As this regime is optional, loss-making PE’s may still be subject to worldwide consolidation with the head office. To avoid abusive practices, once the taxpayer elects one of the two regimes, the regime elected should remain applicable for at least three years (see below).

Elimination of the Portuguese holding companies tax regime (SGPS)

As a result of the extension of the above described participation exemption regime, the special tax regime applicable to Portuguese holding companies (SGPS) is revoked.

Thus, several articles were erased from the Portuguese Tax Incentives Statute and the Stamp Tax Code.

International economic double taxation tax credit system (indirect foreign tax credit)

The CIT Reform creates a new indirect foreign tax credit alongside with the existing direct credit for international double taxation.

This new credit enables the taxpayer, upon election, to deduct part of the tax levied on the profits earned abroad by its subsidiary, whenever the latter distributes dividends to which the participation exemption regime is not applicable.

Group relief regime

According to the Reform, a company may be included in a group – with respect to the application of the group relief regime –, if its share capital is held by the ultimate dominant company in a percentage of 75% (previously 90%) whenever it grants more than 50% of the voting rights.

In the calculation of the percentage of 75% the shares held, directly or indirectly, are to be considered through:

(i) Portuguese entities who meet the conditions to be included in the group;
(ii) Entities resident in another Member State or in the EEE, provided that these non-resident companies are held, directly or indirectly, with a percentage of at least 75% by the dominant company.

The Reform further clarifies that, if a dominant company becomes controlled by other company that is resident in Portuguese territory and fulfils all the other requirements to qualify as a dominant company, the latter may elect to maintain the group relief regime application.

Extension of the deadline to require the tax credit for international double taxation

Where the credit for international double taxation cannot be deducted, such credit may be carried forward for up to 5 tax years (formerly, 4 years).

Income attributable to a permanent establishment located abroad

The Reform includes a provision which allows the resident companies to opt-out the net year result of its non-resident PE from its taxable profit, provided the following conditions are met:

(i) the PE is subject and not exempt from: (i) any of the corporate income taxes referred to in the Parent Subsidiary Directive or (ii) a tax of a similar nature with a rate not lower than 60% of the Portuguese CIT rate (i.e., rate not below 13.8% for 2014);
(ii) the PE is not a resident in a tax haven.

The option to apply this rule must encompass at least all the PE located in the same territory and should remain in force for at least 3 years.

Please note that the Portuguese head office may not elect to exclude from its taxable income the profits assessed by the foreign PE, up to the amount of losses assessed by the same PE that were relevant to determine the Portuguese company's taxable income in the previous 12 tax years.

Concurrently, the Portuguese head office may not elect to include in its taxable income the losses assessed by the foreign PE, up to the amount of profits the same PE has assessed that were not relevant to determine the Portuguese company's taxable income in the previous 12 years.

Measures of general scope

Modification of the autonomous taxation regime

In this context, a general increase of the rates is foreseen in order to discourage the assignment of vehicles by employers to the employees without being taxed as a component of the remuneration for PIT purposes.

Pursuant to the Reform, expenses incurred with passenger vehicles and motorcycles, excluding electric energy vehicles, may be subject to increased rates of autonomous taxation. These increased rates depend on the acquisition value, as follows:

> 10%, if the acquisition value is lower than EUR 25,000;
> 27.5%, if the acquisition value is equal or higher than EUR 25,000 and below EUR 35,000;
> 35%, if the acquisition value is EUR 35,000 or higher.

According to the previous regime, the expenses incurred with passenger vehicles were subject to the following rates:

> 10%, if the acquisition value is lower than EUR 25,000;
> 20%, if the acquisition value is equal or higher than EUR 25,000.

The new rates are applicable to vehicles purchased before 2014.

In this sense, a vehicle acquired in 2010 for € 40,000 has maintained, until 2013, an autonomous rate of 10% (since it didn't exceed the applicable limit at the time). In view of the new rules the same vehicle will be subject, in 2014, to an autonomous rate of 35%.

This increase of the rate in 350% in the same vehicle seems disproportional and raises constitutional issues.

Furthermore, companies assessing tax losses will be subject to an aggravated final rate of 45% (i.e. increased by 10 percentage points).

Finally, a positive note to highlight the reduction of the autonomous taxation rate from 25% to 23%, in case of dividends paid to a total or partially exempt entity. It is also clarified that investment income falls in the scope of this regime, provided the following conditions are met:

> The shares regarding the dividends haven't remained at disposal of the same taxable person uninterruptedly in the year before they were made available;
> The shares will not come to be held for the necessary time to complete that period;

Health insurance for employer`s household

It is now clear that the amounts paid by companies for health insurance in benefit of the employees' family are tax deductible, within certain limits.

This measure is associated with the modifications included in the PIT Code by the State Budget Law for 2014 (Law no. 83-C/2014, December 31).

Liquidation and sharing – capital gains

The CIT Reform foresees that the income obtained from the liquidation and division of a company no longer qualifies as investment income, but instead fully as capital gain.

Nevertheless, these capital gains may benefit from the participation exemption regime above described.

Additional payment on account

The CIT Reform adds a new bracket for taxable profit in excess of EUR 35,000,000, which shall be subject to additional payment on account at the rate of 6.5%.

As such, taxable profit exceeding EUR 1,500,000 shall be subject to additional payment on account as follows:

> Whenever it exceeds EUR 7,500,000 and up to EUR 35,000,000 the taxable profit is divided into two parts: one of EUR, 6,000,000 to which a rate of 2.5% applies; another in the amount of the taxable profit exceeding EUR 7,500,000 which is subject to a 4.5% rate;
> Whenever it exceeds EUR 35,000,000 the taxable profit is divided into three parts: one of EUR, 6,000,000 to which a rate of 2.5% applies; a second in the amount of the EUR 27,500,000, which is subject to a 4.5% rate; and a third in the amount of the taxable profit exceeding EUR 35,000,000, which is subject to a 6.5% rate.

Obligation to keep accounting records

The CIT Reform extends the mandatory period to keep accounting records from 10 to 12 years.

Suspended taxation of capital gains and losses

As a transitional arrangement, the CIT Reform provides for the extension of the participation exemption regime to capital gains suspended from taxation resulting from the transfer of shares occurred up to January 1, 2001, and not yet included in the respective taxable income, under the special regime enacted by Law no. 30-G/2000, December 29, and Law no. 109-B/2001, December 27, whenever the corresponding reinvestment has been made in the purchase of shares.

The purpose of this transitional provision is to terminate the suspended taxation of capital gains and losses regime.

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