Portugal: Special Tax Credit for Investments

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Article by **Ricardo Seabra Moura**

Vieira de Almeida & Associados

What is the STCI?

The STCI is a 20% Corporate Income Tax ("CIT") deduction of the amount made in certain investment expenses that are made between June 1, 2013 and December 31, 2013.

What are the eligible investment expenses?

The following investment expenses are eligible to the STCI :

- ***Expenses regarding the investment on new fixed assets used for the operational activity of the company*** – *i.e.* expenses with the acquisition of new fixed tangible assets (e.g. machinery) and non-consumable biological assets that are acquired in new condition (land is not considered as such) and entering into service or used by the end of the tax period that begins on or after January 1, 2014.
- ***Expenses on development projects***
- ***Expenses on industrial property elements*** (e.g.: patents, trademarks, licenses, production processes, models or other similar rights, acquired for valuable consideration and whose sole use is recognized for a limited period of time).
- It is clarified that **are not considered investment expenses** those incurred on assets susceptible of use for personal purposes such as:
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    - Expenses with passenger cars or mixed vehicles, yachts and tourism aircrafts, except when such goods are used on public transport activities or intended for rental or lease of the respective use in the normal activity of the company;
    - Expenses with furniture and comfort or decoration items, and those incurred with the construction, acquisition, repair or extension of any buildings, except when used in productive or administrative activities.
- Expenses incurred on assets engaged to the activities under concession agreements or public-private partnership agreements with public sector entities and expenses related to intangible assets acquired in acts or legal transactions with related parties **are excluded from the STCI rules**.

Who can benefit?

CIT taxpayers who mainly develop a commercial, industrial or agricultural activity, **provided that the following requirements are met**:

- Such entities must have regularly organized accountancy, according to national accounting standards and other legal rules that may apply to specific economic sectors of activity;
- The taxable income of such entities may not be determined by indirect methods; and

- Such entities may not have any debts to the Portuguese Tax Authorities or to the Social Security Authorities

What are the conditions of application of the STCI?

- Eligible expenses should be made between June 1 and December 31, 2013;
- The maximum amount of investment expenses is € 5,000,000,00 for each entity;
- The deduction is made through the CIT return regarding the tax period that begins in 2013, up to the limit of 70% of the taxable amount;
- For taxpayers who adopt a tax period different from the calendar year, provided that it begins after June 1, 2013, the relevant expenses for deduction purposes are the ones made to eligible assets since the beginning of that period until the end of the seventh following month;
- In the case of **companies under the Special Taxation Regime of Corporate Groups ("RETGS")** the deduction will be made on the taxable amount determined in accordance with the CIT return of the Group and up to 70% of that amount, not exceeding, for each company and for each year the limit of 70% of the taxable amount that would be determined by the company that incurred in the eligible expenditure if the RETGS was not applicable;
- Entities benefiting from STCI are not allowed to benefit from any incentives of similar nature for the same investment expenses

When does the STCI enters into force?

STCI enters into force tomorrow.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Source: **http://www.mondaq.com/x/269452/Corporate+Tax/Special+Tax+Credit+For+Investments**