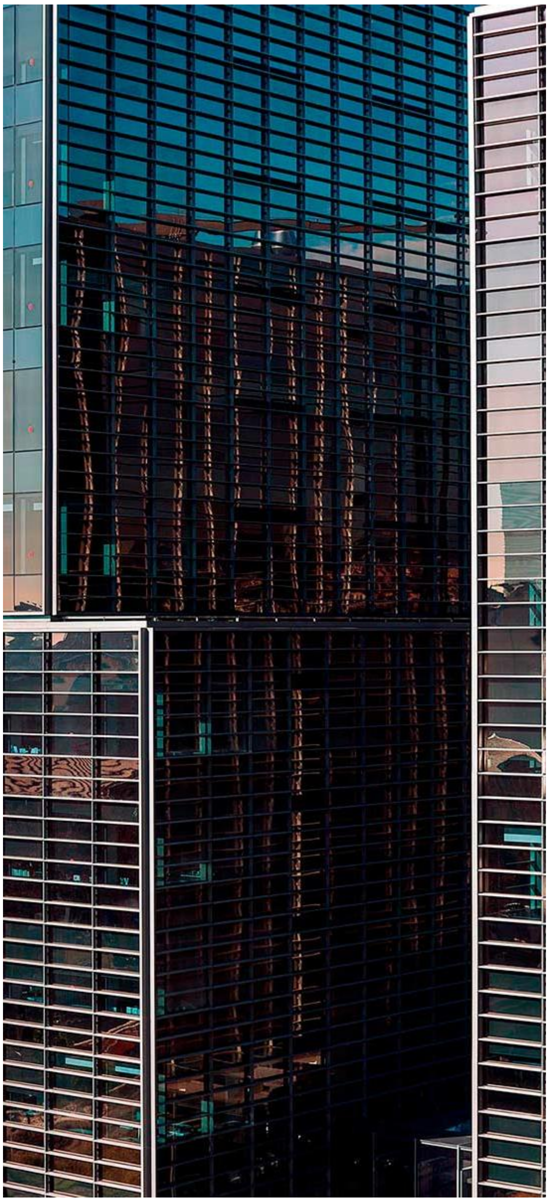
Tax incentives to develop the capital market

Tax incentives to develop the capital market and promote the capitalization of non-financial companies

Portugal - Legal Flash

April 4, 2024



Key aspects

- The outgoing government included in the transition portfolio left for the new government a draft law establishing tax incentives to develop the capital market and capitalize non-financial companies.
- According to the Council of Ministers' press release, this proposal includes essential measures for making the fifth request for payment from the Recovery and Resilience Plan. It is now for the incoming executive to submit it to the Parliament (with the same or different content) during the legislative term that has just started.
- This proposal contains a number of tax incentives and clarifies certain tax regimes, such as those applicable to collective investment undertakings that are not tax resident in Portugal and to alternative credit investment undertakings.

Draft law creates tax incentives to develop the capital market and promote the capitalization of non-financial companies

According to the Press Release from the Council of Ministers of March 25, 2024, the last Council of Ministers of the XXIII government of Portugal approved, in general terms, several pieces of legislation containing capital reforms that are important for releasing the funds allocated to Portugal in the Recovery and Resilience Plan (RRP).

A draft law was published for the creation of tax incentives to develop the capital market and promote the capitalization of non-financial companies. It is included in the transition portfolio that was delivered to the new executive, which will have to decide whether to submit it to the Parliament with any adjustments it considers relevant.

The he following measures are worth highlighting:

- Clarification of the tax regime applicable to alternative credit investment undertakings and securities investment companies to stimulate the economy (provided for in Decree-Law 77/2017 of June 30), establishing that they are covered by the taxation regime that was applied to alternative venture capital investment undertakings to date (article 23 of the Tax Benefits Statute, "**EBF**").

- Introduction of a new corporate income tax exemption regime for non-resident collective investment undertakings ("**UCITS**") domiciled in the European Union, the European Economic Area or in a jurisdiction with a double tax treaty or a bilateral or multilateral agreement for the exchange of information for tax purposes, in line with EU caselaw (new article 22-B of the EBF).

- Introduction of a (partial) corporate income tax and personal income tax exclusion for the income of holders of stakes or participation units in UCITS whose activity is focused on investments aimed at developing housing under the Affordable Rentals Program (new article 24-A of the EBF).

- Introduction of an incentive for the first or second admission to trading on a regulated market, enabling a higher corporate income tax deduction for costs connected with preparing and placing securities representing the share capital of an entity on the regulated market, as well as on issuing other securities offers to the public by these entities (new article 32-E of the EBF).

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