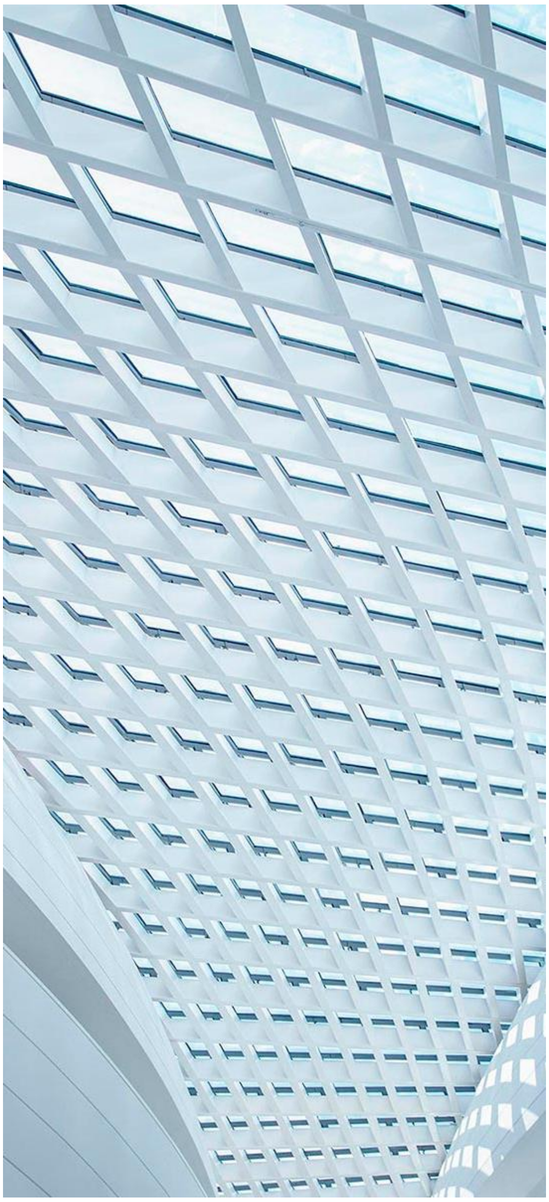
# Tax exemption for telework expenses

**The limits on the amount of compensation employees can receive for telework-related expenses without having to pay taxes and social security contributions have been approved.**

Portugal - Legal Update

October 5, 2023



## Key aspects

- Ordinance 292-A/2023 (the "Ordinance") of September 29 sets the highest amount employees can be compensated for telework-related expenses without the compensation being considered as income for tax or social security purposes.
- The compensation set for daily expenses is €22 per month (€1 for each full day of remote work) and can increase up to 50% (up to €33 per month) if this amount is established in a collective bargaining agreement ("CBA").
- For tax purposes, the compensation is considered an expense for the employer and does not constitute earnings for the employee.
- The Ordinance entered into force on October 1, 2023.

## Framework

Following the changes made to the Labor Code as part of the Decent Work Agenda, telework agreements must now clearly state the compensation amount to be allocated to employees for the additional expenses they have when working remotely. This compensation amount may also be set through a CBA.

This measure considers the additional expenses that teleworking employees pay for electricity, the internet, and buying or using a computer or other IT equipment.

For tax purposes, the compensation is considered an expense for employers and does not constitute earnings for employees, provided the amount does not exceed the limits specified in the Ordinance.

## Limits set by the Ordinance

The tax-exempt amount for daily expenses is €1 per day, totaling **€22 per month** (for 22 full days of remote work). This includes:

a) household electricity usage — €0.10 per day;

b) personal internet usage — €0.40 per day; and

c) personal computer or similar IT equipment — €0.50 per day.

These limits can be increased by 50% (to **€33 per month** for 22 full days of remote work) if this is established in a CBA.

However, these limits only apply to **expenses for goods and services that the employer does not provide—either directly or indirectly—**for days of **actual work** (which means working remotely for periods of at least one-sixth of the employee's weekly working hours) and that result from **a written telework agreement** between the employer and the employee. **Otherwise, the compensation will be treated as income for the employee, who will have to pay personal income tax ("PIT") and social security contributions on it**.

The phrase "provided by the employer" means offering, providing, making available, selling at a price below market value, or carrying out any other act that enables the employee to use electricity, the internet, and a computer or similar IT equipment without having to pay the corresponding costs under normal market conditions.

Therefore, companies should consider the limits set in the Ordinance when allocating compensation under telework agreements. While they may allocate more than the specified limits, any amount exceeding them will be subject to PIT and social security contributions under the general regime.

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