

TAX LAW

CORPORATE INCOME TAX

EXTRAORDINARY TAX CREDIT FOR INVESTMENT

Law 49/2013 published on July 16, which will enter into force on July 17, approves the extraordinary tax credit for investment (CFEI).

CFEI consists in a deduction to corporate income tax (IRC), of 20% of investment expenses in assets affected to the activity between June 1 and December 31, 2013, or in case the tax year and the calendar year are not coincident and starts after June 1, since the beginning of the referred period until the end of the seventh month following such date.

Therefore, for investment expenses up to € 5.000.000, 00, per taxpayer, a deduction to IRC of 20% of the invested amount up to 70% of the IRC due is allowed. Deduction will be made on the IRC assessed for the tax period beginning in 2013.

CFEI that could not be deducted in the tax period of 2013, may be deducted in the same conditions in the five following tax years.

Are eligible for the CFEI benefit: companies developing commercial, industrial or agricultural activities that have organized accounts under the general standard accounting regime, which taxable income is not determined by indirect methods and have the tax and social security situation regularized.

For the tax benefit to be granted, are eligible as investment expenses:

a) investments in assets affected to the activity related to tangible fixed assets and non-consumable biological assets, acquired as new and affected to the activity until the end of the tax period starting on January 1, 2014 or after;

b) investment expenses in intangible assets subject to depreciation :

i. expenses with development projects;

ii. expenses in industrial property elements, such as patents, trademarks, licences, production processes, models or similar rights, if those elements were acquired for consideration and the exclusive use is recognized for a limited period of time.

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(CONTINUATION)

For CFEI purposes, shall not be eligible investment expenses with assets that may have personal use, except when affected to the company's productive or administrative activity (e.g.: expenses with light passenger or mixed vehicles, leisure boats, furniture, expenses with construction, purchase and repairing of buildings).

Assets related to eligible expenses must be held and accounted in accordance with the rules determining their eligibility for a minimum period of five years or, if lower, during the respective minimum useful life period, or until the period when the transfer, disposal, abandonment or dismantlement is verified.

Expenses incurred with assets affected to activities in the field of concession agreements or of public or private partnerships entered with public entities are also excluded. Additionally, are not eligible expenses related to intangible assets, if such assets are acquired from entities with whom the beneficiary has a special relation.

CFEI cannot be added with any other tax benefits of similar nature.

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Andreia Faustino / Associate
andreia.faustino@amsa.pt

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Abreu & Marques e Associados, Sociedade de Advogados, RL
Rua Filipe Folque, 2 - 4.º andar, 1069-121 Lisboa - Portugal
Tel: +(351) 213307100 – Fax: +(351) 213147491
E-mail: amsa@amsa.pt – Website: www.amsa.pt

In Angola:
Rua da Missão, nº 125 - R/C, Luanda
Tel: +(244) 222 331 187 – E-mail: angola@amsa.pt