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Update

Tax

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ORÇAMENTO DO ESTADO 2024 | EXPRESS BUDGET

State Budget Law Express: Tax Benefits for Employees

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Within the scope of the State Budget Law Proposal for 2024, a set of measures was presented to reflect some tax relief on employees' income in terms of Personal Income Tax ("IRS").

Specifically, we highlight two of these incentives:

Tax incentive for employees' housing

Given the evolution of the housing market, the Government proposes an exclusion from taxation in terms of IRS and Social Security contributions on the use of property for permanent housing located in Portugal granted by the employer to employees.

Currently, residence allowances or housing provided by the employer are considered employment income at the level of the employees, subject to IRS and Social Security contributions.

However, through such a measure, it is proposed that such income, referring to the period between January 1, 2024, and December 31, 2026, will be exempt from IRS and Social Security contributions up to the limited amount of the rental price within the scope of the Rental Support Program (conditioned on various factors, including the location, quality and energy certification of the properties).

Notwithstanding, taxpayers who directly or indirectly have a 10% stake in the employer's share capital or voting rights are excluded from this benefit.

Tax incentive for balance sheet bonuses

A proposal is made for the possibility of the amounts paid to employees as balance sheet bonuses being able to benefit from IRS exemption up to a limit of € 4,100.00 (corresponding to 5 times the value of the minimum guaranteed monthly salary proposed for 2024).

This exemption will only apply to cases in which the employer has increased the fixed remuneration of the respective employees by at least 5% in 2024.

In any case, income exempt under these terms should still be summed up to determine the progressive rate applicable to other income.