

WHY PORTUGAL

INVESTMENT INCENTIVES

SMEs - 2024



AICEP

Portugal Trade & Invest



ATTRACTIVE INCENTIVES

PRODUCTIVE INVESTMENT

FINANCIAL
INCENTIVES -
GRANTS

CORPORATE
INCOME TAX
CREDIT

RESEARCH & DEVELOPMENT INVESTMENT

FINANCIAL
INCENTIVES -
GRANTS

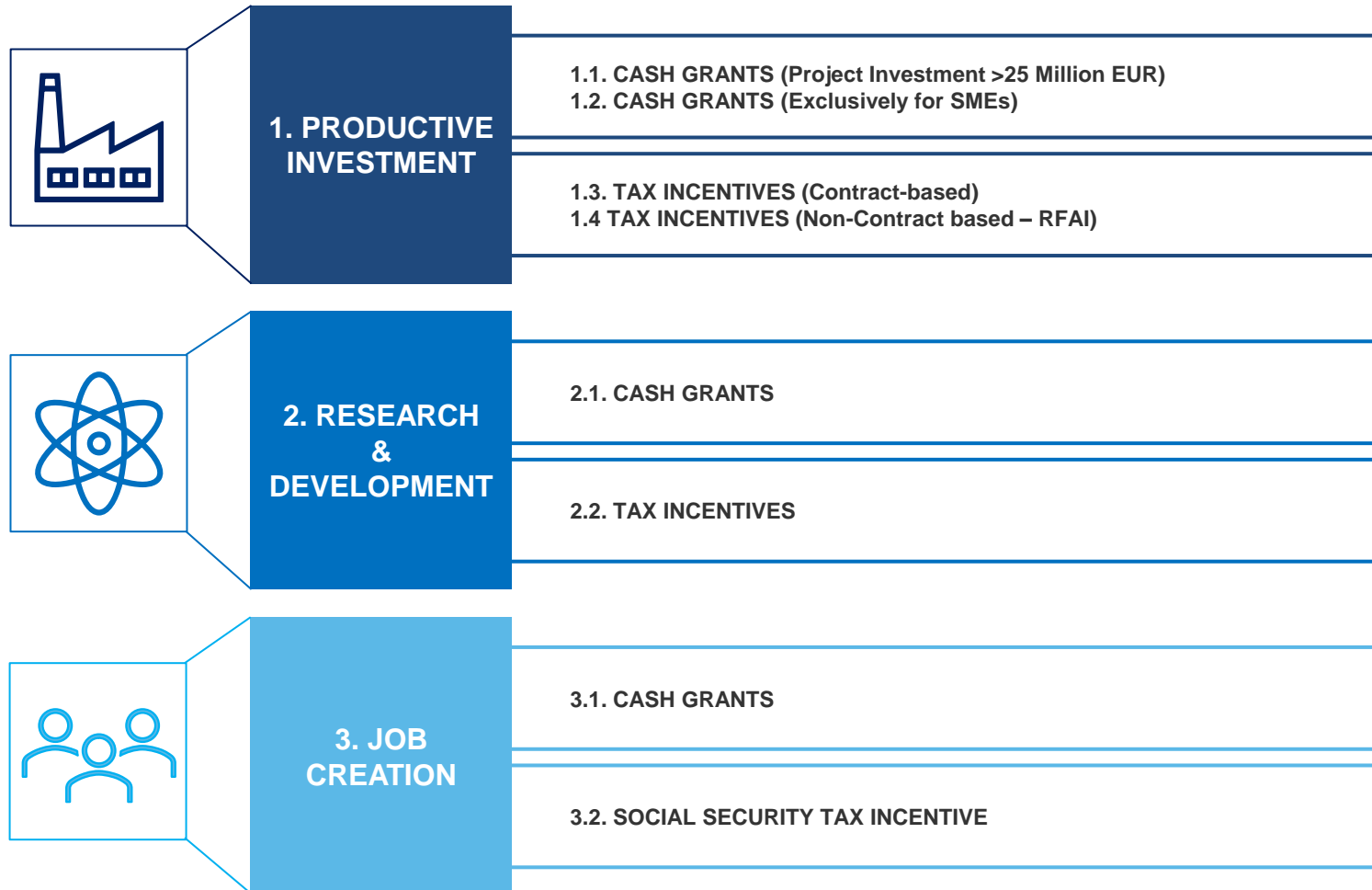
CORPORATE
INCOME TAX
CREDIT

HIRING

FINANCIAL
INCENTIVES -
GRANTS

SOCIAL
SECURITY TAX
EXEMPTION

INCENTIVE SCHEMES



1. PRODUCTIVE INVESTMENT

1.1. CASH GRANTS

SCOPE

- Investment projects with a positive impact on innovation, exports of goods / services and the creation of highly qualified jobs.
- Projects with eligible expenses (capital expenditure) > **25.000.000 €***
- Type of investment projects:
 - setting-up of a new facility;
 - increase in capacity of an existing facility;
 - output diversification, i.e. enabling a facility to manufacture / deliver new products or services;
 - Fundamental change in the production process or in the provision of the service of an existing facility.
- Sector Scope**:



Manufacturing



High Value-Added Services



Tourism

- See **Appendix II** for more information on eligibility criteria for cash grants to productive investment.

ELIGIBLE EXPENSES

- **Tangible Fixed Assets:** costs of acquisition of new machinery and equipment; construction and building costs (building costs up to 35% of total eligible expenses). (Land acquisition costs are not eligible).
- **Intangible Fixed Assets:** acquisition of software; technology transfer (up to 50% of total eligible expenses).
- For projects entailing a significant number of new highly qualified jobs and net job creation, **wage expenses** (salary + social security), over a period of 2 years, may be considered as an alternative to the fixed assets listed above.

Maximum Investment period: **2 years** (this period can be extended, when duly justified).

* Projects below 25 million EUR are subject to a different cash grant incentive scheme available only for SMEs.

** Manufacturing Activities: Divisions 05 to 33 under NACE / ISIC "Classificação de Atividades Económicas Rev 3" (CAE Rev 3 – in Portugal).

Tourism Activities: Divisions (2-digits) 55, 79, 90, 91; groups (3-digits) 561, 563, 771; activities belonging to subclasses (5-digits) 77210, 82300, 93110, 93192, 93210, 93292, 93293, 93294, and 96040 under NACE / CAE Rev 3.

1. PRODUCTIVE INVESTMENT

1.1. CASH GRANTS

SUPPORT

HOW TO APPLY

- **Cash Grant** of up to **30%** of eligible expenses, for projects up to €50 Million.

Maximum rate of support for non-SMEs*		
30%	NORTE, CENTRO, ALENTEJO	
40%	15%	0%
Beiras and Serra da Estrela sub-region (Centro); Alto Alentejo sub-region (Alentejo)	Selected municipalities in Algarve** and Lisbon*** regions	Municipalities in Lisbon and Algarve regions not listed below



- For projects with over €50 million of eligible expenses, the support rate must be adjusted; it is necessary to compute the 'adjusted aid amount'. This means the maximum permissible aid amount for a large (over €50 million of eligible expenses) investment project, according to the following formula: $R \times (A + 0,50 \times B + 0,34 \times C)$ where: R is the maximum aid intensity in the area concerned. A is €50 million. B is the part of eligible costs between €50 million and €100 million. C is the part of eligible costs above €100 million.
- Cash grant is subject to a Key Performance Indicator (KPI) assessment. KPIs: job creation (Nr.), skilled job creation (Nr.), turnover (€), gross value added (€).
- Cumulative with Tax incentives (for the same investment project, up to the maximum state aid allowed for the region – see Appendix I).

- [Online applications](#), to be submitted before the start of an investment project.
- [Call](#) open until December 31st, 2024.

* Rates can be increased by 10 percentage points for investments made by medium-sized enterprises and by 20 percentage points for investments made by small enterprises.

** Algarve municipalities: São Brás de Alportel, Alferce, Boliqueime, Cachopo, Ferreiras, Loulé (São Clemente), Loulé (São Sebastião), Mexilhoeira Grande, Monchique, Paderne, Pechão, Quelfes, São Bartolomeu de Messines, São Marcos da Serra, União das freguesias de Algoz e Tunes, União das freguesias de Conceição e Estoi, Vaqueiros.

*** Lisbon municipalities: Alcochete, Gâmbia-Pontes-Alto da Guerra, Moita, Pinhal Novo, Quinta do Anjo, Sado, São Francisco, União das freguesias de Atalaia e Alto Estanqueiro-Jardia, União das freguesias de Gaio-Rosário e Sarilhos Pequenos, União das freguesias de Palhais e Coina, União das freguesias de Pegões, União das freguesias de Poceirão e Marateca.

1. PRODUCTIVE INVESTMENT

1.2. CASH GRANTS (Exclusively for SMEs)

SCOPE

- Investment projects with a positive impact on innovation, exports of goods / services and the creation of highly qualified jobs.
- Projects with eligible expenses (capital expenditure) > **300.000 €***
- Type of investment projects:
 - setting-up of a new facility;
 - increase in capacity of an existing facility;
 - output diversification, i.e. enabling a facility to manufacture / deliver new products or services;
 - Fundamental change in the production process or in the provision of the service of an existing facility.
- Sector Scope**:



Manufacturing



High Value-Added Services



Tourism

- See **Appendix II** for more information on eligibility criteria for cash grants to productive investment.

ELIGIBLE EXPENSES

- **Tangible Fixed Assets:** costs of acquisition of new machinery and equipment; construction and building costs (building costs up to 35% of total eligible expenses). (Land acquisition costs are not eligible).
- **Intangible Fixed Assets:** acquisition of software; technology transfer (up to 50% of total eligible expenses).
- For projects entailing a significant number of new highly qualified jobs and net job creation, **wage expenses** (salary + social security), over a period of 2 years, may be considered as an alternative to the fixed assets listed above.

Maximum Investment period: **2 years** (this period can be extended, when duly justified).

* Minimum investment amount can vary according to the

** Manufacturing Activities: Divisions 05 to 33 under NACE / ISIC "Classificação de Atividades Económicas Rev 3" (CAE Rev 3 – in Portugal).

Tourism Activities: Divisions (2-digits) 55, 79, 90, 91; groups (3-digits) 561, 563, 771; activities belonging to subclasses (5-digits) 77210, 82300, 93110, 93192, 93210, 93292, 93293, 93294, and 96040 under NACE / CAE Rev 3.

1. PRODUCTIVE INVESTMENT

1.2. CASH GRANTS (Exclusively for SMEs)

SUPPORT

HOW TO
APPLY

- Cash Grant of up to **40%** of eligible expenses, for projects up to €50 Million.

Maximum rate of support for Medium-Sized Enterprises

40%	NORTE, CENTRO, ALENTEJO		
50%	25%	0%	
Beiras and Serra da Estrela sub-region (Centro); Alto Alentejo sub-region (Alentejo)	Select municipalities in Algarve** and Lisbon*** regions	Municipalities in Lisbon and Algarve regions not listed below	



- Cash grant is subject to a Key Performance Indicator (KPI) assessment. KPIs: job creation (Nr.), skilled job creation (Nr.), turnover (€), gross value added (€).
- Cumulative with Tax incentives (for the same investment project, up to the maximum state aid allowed for the region – see Appendix I).

- [Online applications](#), to be submitted before the start of an investment project.
- [Call](#) open.

* Rates can be increased by 10 percentage points for investments made by medium-sized enterprises and by 20 percentage points for investments made by small enterprises.

** Algarve municipalities: São Brás de Alportel, Alferce, Boliqueime, Cachopo, Ferreiras, Loulé (São Clemente), Loulé (São Sebastião), Mexilhoeira Grande, Monchique, Paderne, Pechão, Quelfes, São Bartolomeu de Messines, São Marcos da Serra, União das freguesias de Algez e Tunes, União das freguesias de Conceição e Estoi, Vaqueiros.

*** Lisbon municipalities: Alcochete, Gâmbia-Pontes-Alto da Guerra, Moita, Pinhal Novo, Quinta do Anjo, Sado, São Francisco, União das freguesias de Atalaia e Alto Estanqueiro-Jardia, União das freguesias de Gaio-Rosário e Sarilhos Pequenos, União das freguesias de Palhais e Coina, União das freguesias de Pegões, União das freguesias de Poceirão e Marateca.

1. PRODUCTIVE INVESTMENT

1.3. TAX INCENTIVES (Contract-based)

SCOPE

- Investment projects with a positive impact on innovation, exports and jobs creation.
- Projects with eligible expenses (capital expenditure) > **3.000.000 € ***

ELIGIBLE EXPENSES

- **Tangible Fixed Assets:** acquisition of new machinery; equipment and construction and building costs (Land acquisition costs are not eligible).
- **Intangible Fixed Assets:** software, technology transfer (up to 50% of total eligible expenses).
- For projects entailing a significant number of new highly qualified jobs and net job creation, **wage expenses** (salary + social security), over a period of 2 years, may also be considered.

SUPPORT

- Tax Credit, variable from **10% up to 25%** of eligible investment (see page 6) in regions eligible for state aid support (see Appendix I).
- Forms: Corporate Income Tax Credit; Exemption (partial / total) from real estate taxes (Property / Property Transfer Tax) and Stamp Duty.
- Corporate Income Tax Credit to be deducted from the amount of the Corporate Income Tax that is due.
- Maximum annual deduction of the tax credit:
 - Greenfield project: the total amount of the tax credit can be deducted;
 - Established companies: the greater value between 25% of the total tax credit or 50% of the tax amount due in each fiscal year, unless a different threshold is established contractually.
- The Tax Credit can be used over a **period of 10 years**, following the end of the project.

*For projects with an investment amount below 3 Million EUR, see section 1.4..





1. PRODUCTIVE INVESTMENT

1.3. TAX INCENTIVES (Contract-based)

SUPPORT RATES

- **Base Rate:** 10% of eligible investment

BONUS RATES

FACTORS		ACCESS CRITERIA								BONUS RATE
	Location	For projects located in areas with below-average per capita purchasing power*								+8 p.p. to +12 p.p.
	Job creation (Min. FTE**)	50	100	150	200	250	300	400	500	Up to +8 p.p.
		+1 p.p.	+2 p.p.	+3 p.p.	+4 p.p.	+5 p.p.	+6 p.p.	+7 p.p.	+8 p.p.	
	Exceptional Impact	On Innovation / Research capacity, Environmental Conditions, Regional Convergence, Competitiveness / Efficiency, Strategic Development								Up to +6 p.p.
	Exceptional Relevance	Government recognition of the project's exceptional character								Up to +5 p.p.

Maximum rate of support

25%

- Cumulative with Financial incentives (for the same investment project, up to the maximum state aid allowed for the region – see Appendix I).

HOW TO APPLY

- Application form is available [online](#) and must be submitted before the start of an investment project.
- Entity in Charge: AICEP (Trade and Investment Agency) for non-SMEs; IAPMEI for other projects.

*The detailed list of eligible municipalities is published by the National Statistics Institute, [INE](#). For further details, please contact AICEP.

** Full Time Equivalent Employees.

1. PRODUCTIVE INVESTMENT

1.4. TAX INCENTIVES (Non contract-based - RFAI)



SCOPE

- Investment projects with a positive impact on innovation, exports and jobs creation (see Decree-Law 162/2014).

ELIGIBLE EXPENSES

- **Tangible Fixed Assets:** acquisition of new machinery, equipment and construction and building costs (Land acquisition costs: not eligible).
- **Intangible Fixed Assets:** software, technology transfer (up to 50% of total eligible expenses).

SUPPORT

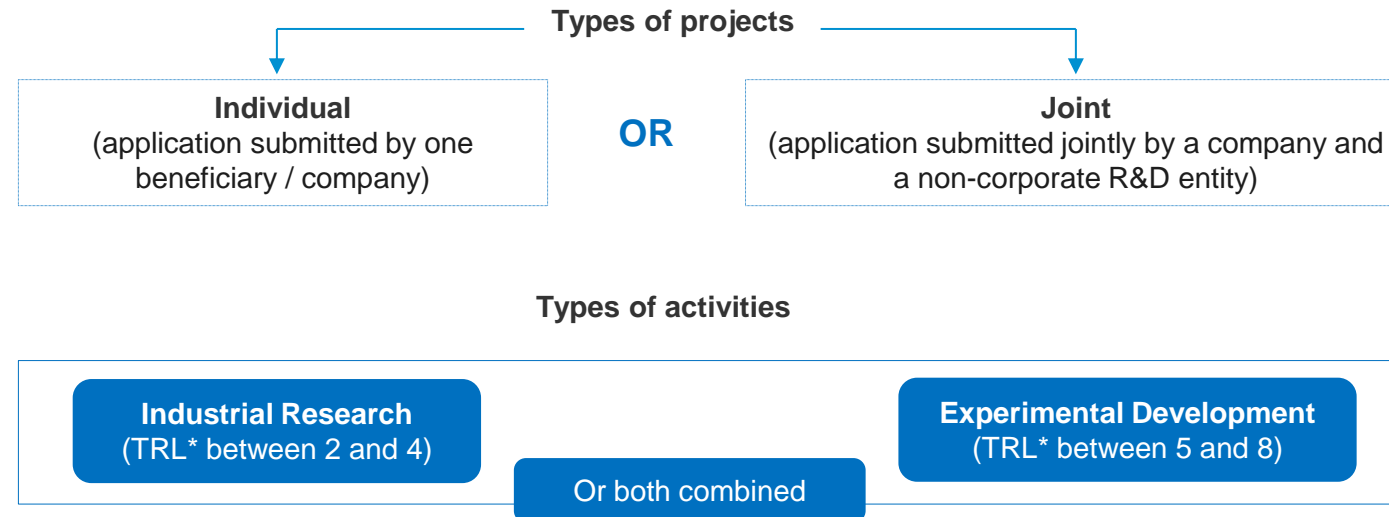
- Tax Credit, variable from **10% up to 30%** of eligible investment (in regions eligible for state aid support (see Appendix I):
 - 30%** of the eligible investments up to the amount of €15.000.000
 - 10%** of the eligible investments, for the surplus (above €15.000.000)
- **10%** for investments in Algarve and Lisbon regions (part of Lisbon region, including Lisbon city, is not eligible for incentives – Appendix I).
- Forms: Corporate Income Tax Credit; Exemption (partial / total) from real estate taxes (Property / Property Transfer Tax) and Stamp Duty.
- Corporate Income Tax Credit to be deducted from the amount of the Corporate Income Tax that is due.
- Maximum annual deduction of the tax credit:
 - Greenfield project: the total amount of the tax credit can be deducted, for the first 3 years of operation;
 - Established companies: 50% of the tax amount due in each fiscal year.
- The Tax Credit can be used over a **period of 10 years**, following the end of the project.

2. R&D INVESTMENT

2.1. CASH GRANTS

SCOPE

- Investment projects in **R&D activities** to develop new, or to significantly improve, products, processes or services.
- Projects with eligible expenses (R&D expenditure) > **150.000 €***



ELIGIBLE EXPENSES

- Salary costs with technical staff dedicated to R&D activities;
- Acquisition of services from third parties, including technical and scientific assistance and consulting;
- Acquisition of scientific and technical tools and equipment (eligible amount: depreciation expenses for the duration of the project);
- Costs associated with patent registration and acquisition.

* Threshold applicable to Large Enterprises. For SMEs, a lower threshold applies.

**TRL: Technology Readiness Level. Industrial Research: Technology Readiness Levels (TRLs) between 2 and 4. Experimental Development: Technology Readiness Levels (TRLs) between 5 and 8.

2. R&D INVESTMENT

2.1. CASH GRANTS



SUPPORT

Cash Grant with base rate up to

50%

Industrial Research activities



25%

Experimental development research activities



Bonus rates

+10 p.p.	+20 p.p.	+15 p.p.	+15 p.p.
Medium-sized companies	Small-sized companies	Projects entailing collaborative actions and/or spillover of R&D results	Projects located in Norte, Centro and Alentejo regions

- Cash grant is subject to a Key Performance Indicator (KPI) assessment. KPIs: Turnover (€), Industrial Property Rights (Nr.), Scientific Publications (Nr.), Prototypes (Nr.), R&D-related new jobs (Nr.), R&D Expenses as a % of GVA (%).
- Cumulative with R&D tax incentives (for the same investment project) – see following page.
- Projects combining Industrial Research and Experimental Development activities will accordingly be split into these two separate activity categories to compute the applicable cash grant rate to each.

HOW TO
APPLY

- [Online](#) applications must be submitted before the start of an investment project.

2. R&D INVESTMENT

2.2. TAX INCENTIVES



SCOPE

Investment in **R&D activities** to develop new, or to significantly improve, products, processes or services.

ELIGIBLE EXPENSES

- Salary costs with technical staff dedicated to R&D activities;
- Acquisition of services from third parties, including technical and scientific assistance and consulting;
- Acquisition of scientific and technical tools and equipment to undertake R&D activities;
- Costs associated with patent registration and acquisition.

SUPPORT

Corporate Income Tax (CIT) Credit

Base rate

32.5%

Incremental Rate: 50% of the increase in R&D expenses compared to the average from the previous two fiscal years, up to €1.500.000.

- CIT Credit to be deducted before payable tax. In cases where there is insufficient payable tax, the tax credit can be deducted **until the 12th fiscal year** following the investment expenses realization.
- Cumulative with R&D cash grants (for the same investment project):

**Maximum rate of support for non-SMEs
R&D Cash Grants + Tax Credits**

Region / Activities	Industrial Research	Experimental Development
Norte, Centro, Alentejo	65%	40%
Lisbon and Algarve regions	55%	30%

HOW TO APPLY

[Online](#) applications must be submitted by the end of the 5th month of the year following the term of a complete fiscal year.

3. HIRING

CRITERIA	HIRING INCENTIVES MEASURES			
	INTERNSHIPS	JOB CREATION GRANTS		TAX RELIEF
	ATIVAR	AVANÇAR	SUSTENTÁVEL	SOCIAL SECURITY
AGE	< 30	< 35	No limit	< 30
MINIMUM QUALIFICATION	Secondary Education	Post-secondary Education	No limit	No limit
CURRENT EMPLOYMENT SITUATION	<ul style="list-style-type: none"> New graduates Unemployed 	<ul style="list-style-type: none"> Former interns Unemployed 	Unemployed > 3 Months	First permanent job
TYPE OF CONTRACT	Internship	Full-time Permanent Contract	Full-time Permanent Contract	Full-time Permanent Contract
MINIMUM SALARY REQUIRED	Not applicable	€1.385,98	€1.018,52	No limit
DURATION	9 months	2 Years	2 Years	5 years
SUPPORT	65% of Monthly Grant + Meal allowance + Work insurance	€9.166,68 Cash grant + 50% reduction Social contributions* (1 Year)	€6.111,12 Cash grant + 50% reduction Social contributions* (1 Year)	50% reduction Social contributions*
HOW TO APPLY	Apply <u>online</u> Entity: IEFP	Apply <u>online</u> Entity: IEFP	Apply <u>online</u> Entity: IEFP	Apply <u>online</u> Entity: Social Security Institute



APPENDIX I

REGIONAL STATE AID MAP – MAXIMUM AID INTENSITIES

REGION	MAXIMUM SUPPORT RATE ⁱ⁾ FOR LARGE ENTERPRISES ⁱⁱ⁾ % OF ELIGIBLE COSTS	EXCEPTIONS
NORTE	30%	
CENTRO	30%	40% Sub-region: Beiras e Serra da Estrela
ALENTEJO	30%	40% Sub-region: Alto Alentejo
LISBON METROPOLITAN AREA	0%	15% Eligible municipalities: Alcochete, Gâmbia-Pontes-Alto da Guerra, Moita, Pinhal Novo, Quinta do Anjo, Sado, São Francisco, União das freguesias de Atalaia e Alto Estanqueiro-Jardia, União das freguesias de Gaio-Rosário e Sarilhos Pequenos, União das freguesias de Palhais e Coina, União das freguesias de Pegões, União das freguesias de Poceirão e Marateca
ALGARVE	0%	15% Eligible municipalities: São Brás de Alportel, Alferce, Boliqueime, Cachopo, Ferreiras, Loulé (São Clemente), Loulé (São Sebastião), Mexilhoeira Grande, Monchique, Paderne, Pechão, Quelfes, São Bartolomeu de Messines, São Marcos da Serra, União das freguesias de Algoz e Tunes, União das freguesias de Conceição e Estoi, Vaqueiros

i) For initial investments with eligible costs up to €50 million.

ii) The maximum aid intensities can be increased by 10 percentage points for investments made by medium-sized enterprises and by 20 percentage points for investments made by small enterprises.





aicep Portugal Global

APPENDIX II

ADDITIONAL ELIGIBILITY CRITERIA (CASH GRANTS TO PRODUCTIVE INVESTMENT)

ELIGIBLE SECTORS

- Manufacturing Activities: Divisions 05 to 33 under NACE / CITA “Classificação de Atividades Económicas Rev 3” (CAE Rev 3 – in Portugal).
- Tourism Activities: Divisions (2-digits) 55, 79, 90, 91; groups (3-digits) 561, 563, 771; activities belonging to subclasses (5-digits) 77210, 82300, 93110, 93192, 93210, 93292, 93293, 93294, and 96040 under NACE / CAE Rev 3.

SECTOR EXCLUSIONS

- Exclusions (under national law): Financial and insurance services, Defence activities; Lottery and Betting activities; investments in the framework of concession contracts with the central or local Administration; investments that stem from legal obligations impending upon a company.
- Exclusions (under EU law): activities in the steel sector, the coal sector, the shipbuilding sector, the synthetic fibres sector, the transport sector as well as the related infrastructure, energy generation, distribution and infrastructure; fisheries and aquiculture; agriculture; transformation and sale of agricultural products, if the investment project amounts to under 4 Million EUR; aquiculture and transformation of fishery products, if the investment project amounts to under 20 million EUR (with the exception of the Algarve region, where a 4 million EUR threshold applies).

PROJECT TYPES

- Setting-up of a new facility;
- Increase in capacity of an existing facility (minimum increase of 20%, to be gauged according to a technically acceptable measure – such as volume, value, etc.);
- Output diversification, i.e. enabling a facility to manufacture / deliver new products or services; eligible costs must exceed by at least 200% the amount of net assets that will be reused in the context of the project;
- Fundamental change in the production process or in the provision of the service of an existing facility – in which case, the investment amount must exceed the total amortization and depreciation of the assets directly linked with the process to be subject to this modernization, in the 3 fiscal years preceding the start of works.

ELIGIBILITY RULES

- The investment project cannot start before the submission of the application (where an application is required).
- The economic and financial feasibility of the project must be demonstrated; namely, companies must demonstrate that the project will be equity financed in at least 25% of the investment amount, if they have been incorporated in Portugal for less than 1 year. If they have been incorporated for more than 1 year, they must exhibit a minimum shareholders' equity ratio of 20%.
- Applicants must be ready to demonstrate the support scheme's “incentive effect”, i.e., that the beneficiary would not carry out the investment project in the absence of support.

APPENDIX III

REQUESTS FOR PAYMENT OF CASH GRANTS

TYPES OF REQUESTS FOR PAYMENT

- Request for payment of grants fall into one of the 3 following types / categories:



APPLICABLE RULES

- Requests for payment are made through an electronic form submission.
- An advance payment of up to **10% of the maximum approved cash grant** can be processed automatically, i.e. it is exempt from a bank guarantee.
- Advance payments (against either invoices or a bank guarantee) further require proof that the investment project has been started.
- Advance Payment against invoices ("PTA-Fatura") must not exceed 500.000 EUR, if this amount exceeds 25% of the maximum cash grant. After the corresponding cash grant has been paid, beneficiaries have **30 working days** to submit proof of the subsequent payment of these invoices.
- Advance Payment against a bank guarantee must **not exceed 50% of the maximum approved cash grant**.
 - The issuing bank must be registered with the Bank of Portugal. The amount of the bank guarantee (G) to be presented, as a function of the cash grant to be requested, is calculated as follows: $G (\% \text{ of cash grant}) = ("PTA - Garantia" (\% \text{ of total cash grant}) - 10 \text{ p.p.}) \times 0,8$. For instance, an advance payment of 50% of the total cash grant is subject to a bank guarantee of $(50-10) \times 0,8 = 32\%$ of the amount of the total cash grant.
 - The amount of the advance payment not covered by the bank guarantee is subject to subsequent proof (within **180 calendar days**), via requests for reimbursement of expenses ("PTRs"), that the total expenses not covered by the bank guarantee have since been incurred. The advance payment that was covered by a bank guarantee is equally subject to subsequent proof that the underlying expenses have been incurred – at the latest, by the last submission of a request for reimbursement of expenses ("PTR"), or 3 years after the advance payment was made, whichever comes first (up to the 31st December 2029 deadline).
- Reimbursement of expenses : each request for reimbursement (PTR) must correspond to a minimum of **10% of the total eligible Investment**.
- Total outstanding payments (through advance payments and reimbursement of expenses) during the execution of the investment project must not exceed **95% of the maximum amount of the cash grant**; the remaining 5% are subject to a final project audit.

AICEP, ONE-STOP SHOP AGENCY

FREE OF CHARGE SERVICES, IN FULL CONFIDENTIALITY



EARLY STAGE
Enquiry handling: business intelligence and key partners

Providing customized information: national and local statistics, business information, tax and labour regulations, permitting procedures, sectoral information, incentives and grants and benchmark analysis. Identifying suitable locations, considering workforce requirements, logistic conditions and other operational aspects. Identifying key partners /stakeholders.



SITE VISITS
Organizing your fact-finding mission to Portugal

Organizing fact-finding missions to Portugal to meet with relevant partners, Government and local authorities, education and research institutions, potential suppliers, companies already established locally and to visit potential options for site location.



SETTLING IN
Supporting the setting up process

Facilitating contacts with Public Administration entities and utility suppliers (electricity, telecoms, gas), services suppliers (recruitment, housing, international schools, among others) and dealing with formal business procedures such as licensing, company's incorporation or obtaining visas.



AFTERCARE
Keeping an ongoing engagement to facilitate your business journey

Supporting our client on all subsequent phases of the project execution. Investors are informed on relevant economic reforms, support measures, among others.

RIGHT PLACE RIGHT TIME

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