



TAX BENEFIT FOR INLAND TERRITORIES

REDUCED IRC TAX RATES

NET JOB CREATION

The Statute of Tax Benefits (EBF) provides for a reduction in the rate of IRC applicable to micro, small and medium-sized companies, or small and medium-sized capitalisation companies that carry out their activities in inland territories.

A. OF THE TAX BENEFIT

Article 41.º-B of the EBF provides that companies that directly and primarily carry on an economic activity of an agricultural, commercial, industrial or service-providing nature in inland

territories and are qualified as micro, small or medium-sized companies or small and medium-sized capitalisation companies (*Small Mid Cap*) the IRC rate of 12.5% is applicable to the first EUR 50,000.00 of taxable income instead of the general rate of 17%.

B. CONDITIONS OF ATTRIBUTION

The conditions for entitlement to the reduced IRC rate are as follows:

I. Carrying on business and having an

effective management in inland territories;

- II. Not to have salaries in delay;
- III. The company is not the result of a division carried out in the two years prior to enjoying the benefits;
- IV. The determination of the taxable profit of the company is determined by direct methods or by the application of the simplified taxation regime.

It should also be noted that the application of this tax benefit is not applicable with other tax benefits of the same nature, and companies may choose to apply another more favorable tax regime

C. INCREASE OF COST FOR THE NET CREATION OF EMPLOYMENT

For the purposes of determining the taxable income of companies eligible for this tax benefit, the costs corresponding to the net creation of jobs are considered in 120% of the respective amount, accounted as a cost for the year.

For the purposes of applying this increase, it is considered as net creation of employment, the net increase of the number of workers directly employed by the company, calculated by the difference between the monthly average of the year in question and the monthly average of the previous tax period.

It is considered as costs, the amounts borne by the employer with the employee, as fixed remuneration and social security contributions borne by the same entity.

For the application of the aforementioned increase, it should also be borne in mind that are considered as jobs those of indefinite-time workers earning income from dependent employment and residing, for tax purposes, in inland territories.

D. INLAND TERRITORIES

For the purposes of applying the above-mentioned tax benefits, the territory areas identified in *Portaria n.º 208/2017*, 13 July, are considered as beneficiary territories.

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