A. CIT credit to boost investment

1. **Main Features**

- A CIT super-credit *without precedent* in Portugal
- Companies may benefit from a **CIT general rate of 7.5%** during 2013
- Strong incentive to **begin investments during 2013** that were scheduled for later years
- Strong incentive to choose Portugal as a destination for investment in **2013** when compared to other jurisdictions
- Covers the **entirety of investment** made by 99% of Portuguese companies
A. CIT credit to boost investment

2 Description of measure

- **Amount**
  - CIT credit for **20% of the investment made**, up to **70% of CIT collection**
  - Can potentially **reduce the CIT general rate to 7.5%**

- **Eligible Investments**
  - Made between **June 1st and December 31st of 2013**
  - Maximum investment of **5,000,000 euros**
  - Deductible against the CIT Collection during **5 years** (if the CIT collection of any of the previous years is insufficient to absorb the entirety of the tax credit)

- **Eligible costs**
  - Expenses with the acquisition of new fixed tangible assets and intangible assets that depreciate, when proof is made that the assets are used for the operational activity of the company
  - Assets must be acquired before **December 31st of 2013** and used for the operational activity of the company before **December 31st of 2014**

- **Eligible taxpayers**
  - Those that mainly develop a commercial, industrial or agricultural activity and fulfill the following criteria:
    - **Company accounts must be regularly organized**, according to national accounting standards and other legal rules that may apply to specific economic sectors of activity;
    - **Taxable income may not be determined by indirect methods**; and
    - Company may not have outstanding debts towards the tax and social security authorities

- **Control Measures**
  - **Specific penalty framework to ensure effective compliance with regime**
  - CIT tax return will have specific fields introduced in the tax benefits annex to allow control of the benefit declared by the taxpayer
  - Expenses with assets that may be subject to personal use are excluded (e.g. furniture, pleasure craft)
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3 Examples (1/6)

- A company that in 2013 has a **tax base of €45,000**, and makes an eligible investment, between June 1st and December 31st of 2013, of **€40,000**, may benefit from an effective CIT general rate of 7.5% in 2013, as follows:

  ✓ CIT credit for 20% of the eligible investment, i.e., €8,000.
  ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €7,875 (70% of €11,250).
  ✓ As such, this taxpayer will only pay €3,375 of CIT in 2013, which corresponds to an effective CIT general rate of 7.5%.
  ✓ The unused credit (€125) may still be deducted against the CIT collection that is determined during the following five fiscal years.
A. CIT credit to boost investment

3 Examples (2/6)

- A company that in 2013 has a **tax base of €250,000**, and makes an eligible investment, between June 1st and December 31st of 2013, of **€220,000**, may benefit from an effective CIT general rate of 7,5% in 2013, as follows:

  ✓ CIT credit for 20% of the eligible investment, i.e., €44,000.
  ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €43,750 (70% of €62,500).
  ✓ As such, this taxpayer will only pay €18,750 of CIT in 2013, **which corresponds to an effective CIT general rate of 7,5%**.
  ✓ The unused credit (€250) may still be deducted against the CIT collection that is determined during the following five fiscal years.
A. CIT credit to boost investment

3 Examples (3/6)

- A company that in 2013 has a tax base of €550,000, and makes an eligible investment, between June 1st and December 31st of 2013, of €500,000, may benefit from an effective general rate of 7.5% in 2013, as follows:

  ✓ CIT credit for 20% of the eligible investment, i.e., €100,000.
  ✓ As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €96,250 (70% of €137,500).
  ✓ As such, this taxpayer will only pay €41,250 of CIT in 2013, which corresponds to an effective general rate of 7.5%.
  ✓ The unused credit (€3,750) may still be deducted against the CIT collection that is determined during the following five fiscal years.
A company that in 2013 has a tax base of €1,100,000, and makes an eligible investment, between June 1st and December 31st of 2013, of €1,000,000, may benefit from an effective general rate of 7.5% in 2013, as follows:

- CIT credit for 20% of the eligible investment, i.e., €200,000.
- As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €192,500 (70% of €275,000).
- As such, this taxpayer will only pay €82,500 of CIT in 2013, which corresponds to an effective general rate of 7.5%.
- The unused credit (€7,500) may still be deducted against the CIT collection that is determined during the following five fiscal years.
A company that in 2013 has a **tax base of €2.250.000**, and makes an eligible investment, between June 1st and December 31st of 2013, of **€2.000.000**, may benefit from an effective general rate of 7,5% in 2013, as follows:

- CIT credit for 20% of the eligible investment, i.e., €400.000.
- As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €393.750 (70% of €562.500).
- As such, this taxpayer will only pay €168.750 of CIT in 2013, **which corresponds to an effective general rate of 7,5%**
- The unused credit (€6.250) may still be deducted against the CIT collection that is determined during the following five fiscal years.
A company that in 2013 has a tax base of €5.500.000, and makes an eligible investment, between June 1st and December 31st of 2013, of €5.000.000, may benefit from an effective general rate of 7,5% in 2013, as follows:

- CIT credit for 20% of the eligible investment, i.e., €1.000.000.
- As regards 2013, this CIT credit is deductible up to 70% of the CIT collection, i.e., up to €962.500 (70% of €1.375.000).
- As such, this taxpayer will only pay €412,500 of CIT in 2013, which corresponds to an effective general rate of 7,5%
- The unused credit (€37.500) may still be deducted against the CIT collection that is determined during the following five fiscal years.
# B. Other tax measures to promote investment

## Main features

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<tr>
<th>Tax regime to support investment (“RFAI”)</th>
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<td>• <strong>Increase</strong> the duration of the regime from <strong>2013 to 2017</strong></td>
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<td>• <strong>Increase</strong> the limit of the tax credit from <strong>25% to 50%</strong> of the CIT collection</td>
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<th>Contractual regime benefits for investment projects</th>
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<td>• <strong>Reduction of the minimum investment amount from the current 5 million euros to 3 million euros</strong>, broadening the scope of the regime to a larger number of investors;</td>
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<td>• <strong>Establishing a maximum deadline of 60 days for approval of the contracts</strong>, as from the moment the intergovernmental council for the coordination of fiscal incentives (“CICIFI”) has issued its findings</td>
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<th>Rulings</th>
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<td>• <strong>Reduction of 30 days regarding the maximum deadline for issuing rulings by the tax authorities</strong>, so as to confer greater security and stability in the interpretation of tax law for investors.</td>
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<th>International Investor Tax Office</th>
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<td>• <strong>A team will be allocated to promptly clarifying and supporting</strong> potential international investors regarding all tax questions. <strong>This team will work in coordination with aicep Portugal Global - Trade &amp; Investment Agency</strong></td>
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Tax Investment Package 2013

Lisbon, 23rd of May, 2013