





# aicep Portugal Global

## Investment and Job Creation Incentives in Portugal

2014

-  AICEP
-  EMPLOYMENT CENTER
-  SOCIAL SECURITY
-  MINISTRY OF FINANCE

# 1. Tax & Financial Investment Incentives



## Scope

Investment projects promoting innovation and employment aiming at regional development.

## Financial Incentives

Refundable financial incentives, in assisted areas - most of the Portuguese territory -, in most economic sectors, under the 2014-2020 EC Guidelines for regional development.

(2014-2020 Portuguese state aid legislation submitted to EC approval)

## Tax Incentives

Exemption or reduction of corporate income tax, municipal taxes, property acquisition tax and stamp tax duty.

(2014-2020 Portuguese state aid legislation submitted to EC approval)

## Incentive Package ( Tax & Financial)

Total aid intensity subject to EU and national limits on state aid and up to 25% of the eligible expenses (in Gross Grant Equivalent), depending on the location.

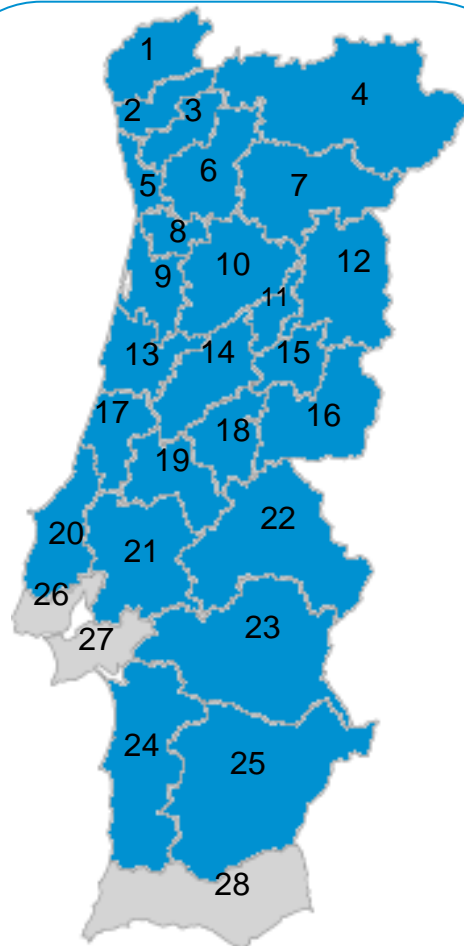


# 1. Tax & Financial Investment Incentives



## EU Limits: applied to Investment Incentives 2014- 2020

The 2014-2020 national aid maps and incentive schemes



### North:

1. Minho-Lima
2. Cávado
3. Ave
4. Alto Trás-os-Montes
5. Grande Porto
6. Tâmega
7. Douro
8. Entre Douro e Vouga

### Centre:

9. Baixo Vouga
10. Dão Lafões
11. Serra da Estrela
12. Beira Interior Norte
13. Baixo Mondego
14. Pinhal Interior Norte
15. Cova da Beira
16. Beira Interior Sul
17. Pinhal Litoral
18. Pinhal Interior Sul
19. Médio-Tejo
20. Oeste
28. Algarve

### Alentejo:

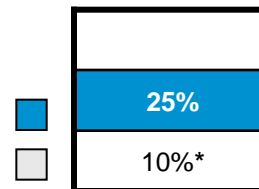
21. Lezíria do Tejo
22. Alto Alentejo
23. Alentejo Central
24. Alentejo Litoral
25. Baixo Alentejo

### Remaining:

26. Grande Lisboa
27. Península de Setúbal

29. R. A. Madeira
30. R. A. Açores

### Maximum Aid Intensities (in Gross Grant Equivalents)



\* Regions not yet defined

29

30

## 2. Internships



### Target population

- Unemployed aged between 18 and 30 (inclusive), with a qualification level higher than 1;
- Unemployed over 30, looking for a new job, with a qualification level higher than 1, acquired less than 3 years;
- Unemployed between 31 and 35, in predefined sectors, with a qualification level higher than 1;
- Unemployed living in a single parent family;
- Unemployed married couple or in a *de facto* relation where both are unemployed;
- Handicapped unemployed (no age limit).

### Total Grant to the Intern

- Internship for 6, 9, 12 or 18-months period. A monthly support will be paid out, comprising:
- **Monthly trainee subsidy + meal allowance (€88,96) + work insurance (€13,86):**
  - €522,00 – Up to elementary education (Level 2 or less);
  - €605,84– Secondary education (Level 3)
  - €647,77 – Secondary education with 6-months internship (Level 4);
  - €689,69 – Non-university education (Level 5)
  - €794,49 – Tertiary Education (Levels 6, 7 and 8)

### Grant to the Employers

**80% of the Monthly trainee subsidy + 100% meal allowance + 100% work insurance**

### Entity in charge & How to apply

Entity in charge: National Employment Center  
Apply at: [www.netemprego.gov.pt](http://www.netemprego.gov.pt)

# 3. Social Security Refund



Not cumulative with  
Temporary exemption  
of social  
contributions

This document is meant purely as an information tool and it is without prejudice to the official information provided by IEFP and the legal text as published in the official journal

## Target Population

- Young people long-term unemployed (more than 6 months), aged between 18 - 30 years old.
- Long-term unemployed (more than 6 months), aged over 45;
- Applies to employment contracts for indefinite period or fixed-term (minimum 6 and maximum 18 months).

## Grant to employers

- When recruiting the targeted people, the employer will receive a social security refund, for a maximum period of 18 months, corresponding to each employee monthly social contribution (23,75% of the gross wage), as following:
  - 100% in case of indefinite-term employment contract;
  - 75% in case of fixed-term employment contract.

## Requirements

- Maximum duration: 18 months, or for the duration of the fixed-term contract;

## Entity in charge & How to apply

Entity in charge: National Employment Center  
Apply at: [www.netemprego.gov.pt](http://www.netemprego.gov.pt)

## 4. Estímulo 2013



### Target Population

- Unemployed enrolled in Employment Center for more than 6 months;
- Unemployed enrolled in Employment Center for more than 3 months, and:
  - Have not concluded elementary school;
  - Aged over 45;
  - Living in a single parent family;
  - Living in a legal relation where both are unemployed;

### Monthly Support

- 50% of monthly wage or
- 60% of monthly wage in the following cases:
  - Social Insertion Income beneficiaries;
  - People aged under 25 or over 50 years old;
  - People with disability;
  - Unemployed for more than 12 months;
  - Education: 3<sup>rd</sup> cycle qualifications or below;
  - Less representative gender in the industry sector.

Limit: The monthly support cannot exceed €419,22, in case of fixed-term contract and €544,98, in case of permanent contracts.

### Requirements

- To provide on-the-job training during the maximum period;
- Maximum duration: 9 months - fixed-term contract  
18 months – permanent contract.
- Net increase in total employment; former trainees are eligible.

### Entity in charge & How to apply

Entity in charge: National Employment Center  
Apply at: [www.netemprego.gov.pt](http://www.netemprego.gov.pt)

# 5. Temporary Exemption of social contributions



Not cumulative with  
Social Security  
Refund

## To whom it applies

- Applies to young people looking for first job, aged up to 30 years old;
- Long-term unemployed (registered at the employment center for more than 12 months).

## Grant to employers

**Exemption** from payment of Social Security Contribution for a maximum period of 36 months

## Conditions

- Exemption ceases, namely, in case of employment contract termination or suspension (excepting employee temporary incapacity or unavailability for work).
- Not cumulative with Social Security Refund.
- In case of long-term unemployed, no previous fixed-term contracts for more than 6-months period; in case of young people, no previous permanent contract.
- Only applies for indefinite-term employment contracts

## Entity in Charge & How to apply

<http://www4.seg-social.pt/isencaoe-reducao-do-pagamento-de-contribuicoes1>

## 6. “Incentive” program 2013-2015



### To whom it applies

Applies to new labor contracts, both fixed-term or permanent (exception for public-sector employees and very short term contracts)

### Grant to employers

**1% of gross monthly wage**

### Duration and conditions

The financial support is granted until September 30<sup>th</sup> 2015 or until the end of the contract.

Payments to employers are made quarterly. The entity in charge for the financial payment is the National Employment Center.

The incentive may be cumulative with others applied to the same job.

### Entity in Charge & How to apply

Entity in charge is the National Employment Center. Apply on-line at:

<https://www.seg-social.pt/consultas/ssdirecta/>

Key Word: “*Medida Incentivo Emprego (2013-2015)*”



# 7. Fiscal Incentives for Expats



## Target

Qualified Expatriates in:

- high added-value activities
- scientific, artistic or technical activities
- upper management positions

## Incentive

**Flat rate for Income Tax: 20%;**

- It applies for a maximum period of 10 years;
- Applicant must be registered as a Portuguese tax resident

## Entity in Charge

Ministry of Finance

Source: Decree-Law 249/2009, of 23rd September (available at <http://dre.pt/pdf1s/2009/09/18500/0677406783.pdf>) and Regulation 12/2010, of 7th January 2010. Available (in Portuguese) at <http://dre.pt/pdf1s/2010/01/00400/0004000040.pdf>.



# 8. Fiscal Incentives for Expat Retirees



## Target

Expatriate Retirees:

- Pensions paid in a country with a DTA (Double Taxation Agreement) with Portugal;
- Not a fiscal resident of Portugal in the last five (5) years.

## Incentive

**Personal Income Tax Exemption**

- It applies for a maximum period of 10 years;
- A formal request must be filed when one's residency is transferred to Portugal, or until 31th March of the following year.

## Entity in Charge

Ministry of Finance



# 9. Internships Abroad

## Inov Contacto



### Target Population

Young graduates up to 30 years old, unemployed, pursuing an international career,  
European Union citizenship or Legal Resident Permit in Portugal;  
Foreign companies in Portugal or Portuguese companies with a branch office abroad.

### Description

6-Months internship that includes:

- A training post in Portugal,
- An overseas training period and a closing seminar.

### Incentive

- Monthly training grant of €838,44 (Portugal and abroad);
- Meal allowance, Work Insurance and IT costs (Portugal);
- Accommodation subsidy, travel expenses (round trip) and health insurance (only abroad);

### Entity in Charge & How to Apply

Aicep Portugal Global; 53,36% EU-funded.  
Apply at: [www.inovcontacto.pt](http://www.inovcontacto.pt)



# 10. Practical Example

## Simulation of job creation incentives



### ASSUMPTIONS:

- Job Creation: 100
- Education Level: graduates
- Gross monthly wage: 1.200 €
- Location: Portugal

### ESTÍMULO 2013

18 Months

- ✓ 18 months
- ✓ Total Support = 545 Euros / month

### INTERNSHIPS

18 Months

- ✓ 18 Months
- ✓ Total Support =  
 $553 + 93 + 16 = 663$  Euros / month

### SOCIAL SECURITY REFUND

18 Months

- ✓ Permanent contracts:  
 $18 \text{ months} * 23,75\% * \text{Monthly wage}$
- ✓ Fixed-Term contracts:  
 $18 \text{ months} * 23,75\% * 75\% * \text{Monthly Wage}$

# 10.1 Practical Example



100 employees / Gross monthly wage of 1.200€

Programme	Incentives	Number of People	Incentive by worker	Duration (month)	Monthly incentives
1. Professional Internships (18 months)	€ 1.194.588,00	100	€ 11.945,88	18	€ 66.366,00
2. "Estímulo 2013" (18 months)	€ 980.964,00	100	€ 9.809,64	18	€ 54.498,00
3. Social Security Refund (18 months)	€ 513.000,00	100	€ 5.130,00	18	€ 28.500,00
<b>Total Incentives (1+2+3)</b>	<b>€ 2.688.552,00</b>		<b>€ 26.885,52</b>		

## Assumptions

### Internship

- Application under the regime of national strategic interest (art. 15. ° The Ordinance no. ° 92/2011, of February 28, in its current wording given by Decree n. ° 120/2013 of 26 March);
- 100 employees, qualified with university degrees (graduates, masters or PhD)
- Duration of incentive is 18 months (the duration of the incentive under this scheme can be 6, 12 or 18 months);
- Wage: 1.200/month

### "Estímulo 2013"

- Application under the regime of national strategic interest (art. 9. Ordinance n. ° 106/2013 of 14 March);
- Permanent Contracts - 100 employees;
- Maximum support 18 months.

### Social Security Refund

- Application under the regime of national strategic interest (art. 9. Ordinance n. ° 229/2012, of March 3, as amended by Decree n. ° 65-A/2013, of 13 February);
- Permanent Contracts -100 employees;
- Maximum support 18 months.
- Wage: 1.200/month

Incentives simulation made by IEFP, in accordance with applicable legislation, without prejudice of legal future changes.



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# 10.2 Practical Example



### ASSUMPTIONS:

- Job Creation: 100
- Education Level: graduates
- Gross monthly wage: 1.200 €  
(permanent labor contract)
- Duration: 3 years

Without Incentives

### Simulation *without* Incentives:

Annual Payroll per employee (wage + meal allowance + work insurance)	$= (1.200 \text{ €} + 126\text{€} + 8,5\text{€}) \times 14 \text{ months} \times (1 + 23,75\%)$ $= 23.120,21 \text{ €}$
Total Annual Costs	$= 100 \times 23.120,21 \text{ €} = 2.312.021 \text{ €}$
3-years Total Costs	$= 3 \text{ years} \times 2.312.021 \text{ €} = 6.936.064 \text{ €}$



# 10.3 Practical Example



## ASSUMPTIONS:

- Job Creation: 100
- Education Level: graduates
- Gross monthly wage: 1.200 € (permanent labor contract)
- Duration: 3 years

With Incentives

## Simulation with Incentives:

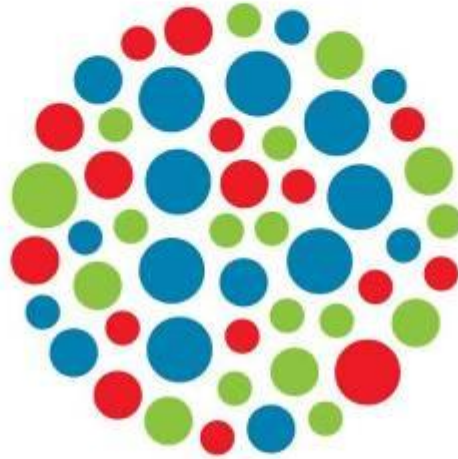
Professional Internships	663 Euros x 18 months = 11.945 Euros
“Estímulo 2013”	545 Euros x 18 months = 9.809 Euros
Social Security Refund	23,75% x 1.200 Euros x 18 months = 5.130 Euros
Total support per employee	26.885 Euros
Total support	100 x 26.885 Euros = 2.688.552 Euros

**TOTAL COST SAVING: 38,5%**

(2.688.552€ / 6.936.064€)



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## **Disclaimer**

This document is for information purposes only. It partially reflects but does not disclose completely nor substitute the knowledge of the full legislation governing incentives in Portugal. AICEP is available to assess specific business plans and to determine how specific investments may qualify for incentives packages and what, if any, type of packages may be applicable to the investment.