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# Law no. 31/2024: The latest changes to IRS and tax benefits in Portugal

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On 28 June 2024, Law no. 31/2024 was published, introducing significant changes to the Personal Income Tax Code, the Stamp Duty Code and the Tax Benefits Statute. Tax Benefits Statute (Estatuto dos Benefícios Fiscais or EBF). The main aim of this new legislation is to energise the capital market in Portugal, making the country more attractive to domestic and foreign investors. The changes now introduced offer competitive advantages, especially regarding the taxation of capital gains, reinvestment and the clarification of rules applicable to income obtained by non-resident entities.

## THE MAIN ADVANTAGES OF LAW NO. 31/2024

### 1. Extension of the regime exempting capital gains from reinvestment for personal income tax purposes

One of the most significant changes introduced was the extension of the options available for reinvestment, which makes it possible to exempt from taxation capital gains obtained from the sale of property intended for permanent residence. It is now clear that citizens over 65 can also reinvest the sale value in Pan-European Individual Savings Products (PEPP). This is a significant incentive to promote reinvestment in financial savings instruments, offering more flexibility in managing their assets and broadening the
range of available eligible products. The amounts invested in these products are exempt from stamp duty.

### 2. Extended Benefits for Capital Market Investments

The law excludes capital gains income from the sale of securities depending on the holding period, thus encouraging savings and investment.

### 3 . Clarification of the imputation of income

The law also clarifies the rules for imputing income from entities resident in countries with more favourable tax regimes. Now, the imputation of profits or income from these entities depends on holding a minimum of 25 per cent of the voting rights or income instead of 10 per cent. This change aligns the IRS rules with the IRC rules, bringing greater coherence to the Portuguese tax system.

## ATTRACTING FOREIGN INVESTMENT

One of the significant advantages of Law 31/2024 is the attraction of foreign investment to Portugal. Creating a more competitive and clearer tax regime makes the country an attractive destination for investors, particularly those with tax residency in Portugal. The following measures stand out:

- Partial Exclusion from Capital Gains Taxation:

To encourage the retention of investments, the law introduces a partial exclusion from taxation of up to 30 per cent on the balance calculated between capital gains and capital losses derived from the sale of securities admitted to trading based on the length of time the assets have been held:

. From 2 to 5 years: 10% exclusion
. From 5 to 8 years: 20% exclusion
. 8 years or more: 30% exclusion.

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- Impact on Housing and the Capital Market

Law 31/2024 also aims to balance the housing market in Portugal by facilitating investment in ICOs focused on affordable rentals, which can ease the pressure on housing prices.

With the tax benefits now introduced, the housing market becomes a more exciting option for investors looking to diversify their portfolios while contributing to the supply of affordable housing in Portugal.

The changes introduced by Law 31/2024 are a strategic step towards making Portugal a more attractive destination for investors in both the capital and property markets. The introduction of targeted tax benefits, the clarification of income attribution rules and the partial exclusion of capital gains from taxation contribute to a more transparent and more competitive tax environment capable of attracting new investors and even residents to our country.

The impact of these changes will undoubtedly be positive in stimulating foreign investment and the growth of the Portuguese capital market.

However, it is essential that investors, whether national or foreign, understand how these new rules apply to their specific situation and are appropriately advised.

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