

Brussels, 28 November 2025
(OR. en)

16028/25
ADD 7

LIMITE

FISC 352
ECOFIN 1629

REPORT

From: General Secretariat of the Council
To: Delegations
Subject: Code of Conduct Group (Business Taxation)
- Report to the Council

Monitoring fiche PT020 - Madeira Free Trade Zone IV [2024 CoCG decision]

I. Background

1. In the Subgroup meeting of 24.04.2024, Portugal informed the Group of a recent amendment of the regime by Article 262 of Law No. 82/2023 (budgetary law for 2024)¹.

¹ PT: Madeira SEZ measure has been already assessed and rolled back: See measure B006 assessed Harmful (Benefits available to authorised financial activities carried out principally with non-residents of Portugal from the designated free zones international transport and industrial activities.)
Rolled back 2003: abolished (doc. 7018/1/03);
2012: end of grandfathering (doc. 10903/12); and
PT0015 – doc. 16084/1/08 (not assessed) because the previous version of the regime which had been assessed harmful, had in the meantime been rolled back, as Portugal followed the assessment by forbidding financial and insurance activities in the SEZ.

2. By the aforementioned amendment, both the *period during which entities could be licensed* to operate in the Madeira Free Trade Zone (MFTZ)², and the *end date of the preferential regime* were *extended by one additional year*. As a result, the existing preferential tax regime (reduced 5% CIT rate instead of the standard 21%) applies to entities licensed between 1 January 2015 and 31 December 2024, and the expiration date of the measure has been prolonged to 31 December 2028.
3. The Group concluded that the amendment did not need to be assessed at that moment but agreed that by June 2025, Portugal provides information about the number of entities licensed to operate in the MFTZ between 1 January 2021 and 31 December 2024, broken down per year and sector of activity.
4. This data – in particular the new entrants in 2024 together with the extension of the grandfathering period - should allow the Group to have a better understanding of the effects of the recent changes and take an informed decision. If such data were to reveal significant uptake, it might be useful to ask Portugal for more information in a second step (e.g. data broken down by category of taxpayer (domestic owned versus foreign owned)).
5. At the beginning of September 2025, Portugal provided the relevant data (table enclosed), on the total number of entities licensed between 1 January 2021 and 31 December 2024 to operate in the MFTZ, broken down by year and by sector of activity.

II. Preliminary assessment

6. The Group can note that the three activity sectors in which the newly licensed entities perform are: I.S – International Services, IFTZ – International Free Trade Zone and MAR – International Shipping Register.
7. The **total number of entities licensed** to perform in the MFTZ remained stable between 2021 and 2024, with around 2 500 to 2 800 entities licensed to operate.
8. While almost half of the entities operate in the shipping sector (1 175 in 2024), the other half operate in the international services sector (1 587 in 2024), and 55 entities in the International Free Trade Zone sector.

9. A comparable uptake can be observed for the previous years, with a slight increase in the number of entities licensed to operate in the shipping sector in the past two years.

Portugal – PT020	2021	2022	2023	2024
Total of entities licensed between 1 January 2021 and 31 December 2024 to operate in the MFTZ:	2.556	2.498	2.643	2.817
Broken down per year:				
Broken down by sector of activity:	I.S - 1.681 IFTZ – 47 MAR - 828	I.S – 1.556 IFTZ – 48 MAR - 894	I.S – 1.589 IFTZ – 53 MAR – 1.001	I.S - 1.587 IFTZ – 55 MAR – 1.175

10. It is recalled that in the context of the monitoring of the Guidance on SEZ, the Code of Conduct Group has so far focused on whether HMA (highly mobile activities) were allowed. Activities in the shipping sector are not covered.
11. The number of new entities licensed after the amendment was introduced in 2024 is roughly above 400; that is a slight increase in comparison to the previous two years.
12. Out of the 427 new licensed entities, - more than 55% perform in the shipping sector (244) and approximately 40% perform in the international services sector (181) whereas only two in the International Free Trade Zone.

Portugal – PT020	2021	2022	2023	2024
Number of new entities licensed between 1 January 2021 and 31 December 2024 to operate in the MFTZ, Broken down per year:	517	221	390	427
Broken down by sector of activity:	I.S - 330 IFTZ – 3 MAR - 184	I.S – 83 IFTZ – 4 MAR - 134	I.S – 206 IFTZ – 5 MAR – 179	I.S - 181 IFTZ – 2 MAR – 244

III. Preliminary conclusion

13. The number of new licensed entities in 2024 seems rather high (above 400), yet the trend remains constant when considering the number of new entities licensed in the previous years (517 in 2021, a drop to 221 in 2022 and again 390 in 2023).

14. On the basis of the absolute numbers of (new) licensed entities, it would have been difficult to conclude whether the amendment under monitoring, i.e. the extension of the *period during which entities could be licensed* to operate in the MFTZ and of the *end date of the preferential regime by one additional year*, has had a significant impact on the location of business activity in the EU.
15. For this reason, the Commission Services asked Portugal whether data was available regarding the actual tax advantage in the relevant tax year. In response, Portugal provided supplementary data regarding the amount of the tax benefit broken down by business sector, industrial sector versus services sector (tables enclosed covering tax years 2021 - 2024).
16. The Group can note that the average tax benefit throughout the monitored period, if it is broken down between the industrial and services sector, ranged from EUR 33 000 to 41 000 in the services sector, and from EUR 42 000 to EUR 138 000 in the industry sector. The latter concerned only 54 taxpayers. It can be concluded that the average tax benefit remained stable, at moderate levels throughout the four tax years.
17. Based on the data provided, the extension by one year of the *period during which entities could be licensed* (by end 2024) to operate in the Madeira Free Trade Zone (MFTZ)³, and the *end date of the preferential regime* (by end 2028) do not seem to have affected, in a significant way, the business location among the Member States.
18. In view of the data on the new entrants for a four-year period and the average tax benefits in the relevant sectors, the monitoring of the amendment could be terminated.

³ PT: Madeira SEZ measure has been already assessed and rolled back: See measure B006 assessed Harmful (Benefits available to authorised financial activities carried out principally with non-residents of Portugal from the designated free zones international transport and industrial activities.)
Rolled back 2003: abolished (doc. 7018/1/03);
2012: end of grandfathering (doc. 10903/12); and
PT0015 – doc. 16084/1/08 (not assessed) because the previous version of the regime which had been assessed harmful, had in the meantime been rolled back, as Portugal followed the assessment by forbidding financial and insurance activities in the SEZ.

IV. Follow-up

19. In view of the above, the Group agreed that the monitoring of the amendment should be terminated.

Annex: Portugal – PT020 - Madeira Free Trade Zone – IV [2024 CoCG decision]

Portugal – PT020	2021	2022	2023	2024
Total of entities licensed between 1 January 2021 and 31 December 2024 to operate in the MFTZ, <ul style="list-style-type: none">• Broken down per year:	2.556	2.498	2.643	2.817
<ul style="list-style-type: none">• Broken down by sector of activity:⁴	I.S - 1.681 IFTZ – 47 MAR - 828	I.S – 1.556 IFTZ – 48 MAR - 894	I.S – 1.589 IFTZ – 53 MAR – 1.001	I.S - 1.587 IFTZ – 55 MAR – 1.175

Portugal – PT020	2021	2022	2023	2024
Number of new entities licensed between 1 January 2021 and 31 December 2024 to operate in the MFTZ, <ul style="list-style-type: none">• Broken down per year:	517	221	390	427
<ul style="list-style-type: none">• Broken down by sector of activity:	I.S - 330 IFTZ – 3 MAR - 184	I.S – 83 IFTZ – 4 MAR - 134	I.S – 206 IFTZ – 5 MAR – 179	I.S - 181 IFTZ – 2 MAR – 244

⁴ I.S – International Services; IFTZ – International Free Trade Zone; MAR – International Shipping Register

Number of entities benefiting and total and average tax benefit for 2021-2024

Number of entities				
	2021	2022	2023	2024
Services	1.346	1.405	1.438	1.412
Industrial	45	49	54	56
Total	1.391	1.454	1.492	1.468

Tax benefit	2021	2022	2023	2024
	TOTAL	TOTAL	TOTAL	TOTAL
Services	44.712.330,72	54.426.763,87	51.540.049,39	58.856.158,00
Industrial	1.929.610,37	2.198.762,78	7.228.722,95	3.620.920,14
Total	46.641.941,08	56.625.526,65	58.768.772,34	62.477.078,14

Financial Year: 2024

Regime	Aggregate number of beneficiaries	Benefiting sectors	Total tax benefit	Average tax benefit per taxpayer	Average tax benefit per taxpayer by specific sectors
MFTZ	1468	Services 1412	Services 58.856.158 €	42.559 €	Services 41.683 €
		Industrial 56	Industrial 3.620.920 €		Industrial 64.659 €

Financial Year: 2023

Regime	Aggregate number of beneficiaries	Benefiting sectors	Total tax benefit	Average tax benefit per taxpayer	Average tax benefit per taxpayer by specific sectors
MFTZ	1492	Services 1438	Services 51.540.049 €	39.389 €	Services 35.841 €
		Industrial 54	Industrial 7.228.723 €		Industrial 133.865 €

Financial Year: 2022

Regime	Aggregate number of beneficiaries	Benefiting sectors	Total tax benefit	Average tax benefit per taxpayer	Average tax benefit per taxpayer by specific sectors
MFTZ	1454	Services 1405	Services 54.426.764 €	38.945 €	Services 38.738 €
		Industrial 49	Industrial 2.198.763 €		Industrial 44.873 €

Financial Year: 2021

Regime	Aggregate number of beneficiaries	Benefiting sectors	Total tax benefit	Average tax benefit per taxpayer	Average tax benefit per taxpayer by specific sectors
MFTZ	1391	Services 1346	Services 44.712.331 €	33.531 €	Services 33.219 €
		Industrial 45	Industrial 1.929.610 €		Industrial 42.880 €

Portugal PT020 –	2021 (I.S - 330 IFTZ – 3)	2022 (I.S – 83 IFTZ – 4)	2023 (I.S – 206 IFTZ – 5)	2024 (I.S - 181 IFTZ – 2)
Number of new entities licensed between 1 January 2021 and 31 December 2024 to operate in the MFTZ, • Broken down by sector of activity (CAE rev.3 ⁵) [(I.S. and IFTZ only)]	CAE Number of entities 09900 1 16213 1 78100 1 21201 1 26200 1 28992 1 31030 1 32200 1 33150 1 35113 1 41200 8 42990 3 43910 1 45110 1 45310 1 45320 1 46120 1 46140 1 46150 1 46170 1 46210 1 46212 1 46230 1 46311 1 46370 1 46380 1 46381 1 46410 1 46421 2 46450 2 46460 1 46520 4 46690 1 46711 1 46720 1 46740 1 46900 24 47292 1	CAE Number of entities 10395 1 10920 1 21100 1 26701 1 35112 1 37002 1 41200 1 42910 1 46120 1 46190 1 46214 1 46361 1 46441 1 46460 1 46480 1 46620 1 46630 1 46690 1 46711 1 46720 1 46732 1 46740 2 46762 1 46900 6 47990 3 50101 3 50200 2 52291 1 59110 1 59140 1 61900 1 62010 9 62020 4 62090 2 63120 1 63990 2 64202 2 68100 5 68311 1	CAE Number of entities 110701 1 21100 1 25110 2 32501 1 32502 1 38322 1 41200 2 42210 1 42990 2 43992 1 45110 2 45190 1 46493 1 46120 1 46130 1 46140 2 46140 1 46160 1 46180 1 46170 1 46190 1 46212 1 46214 2 46310 1 46320 2 46340 1 46381 1 46382 4 46390 1 46460 5 46493 1 46494 1 46520 4 46620 1 46640 1 46711 1 46720 2 46732 3 46740 2	CAE Number of entities 1500 1 25620 2 25992 1 26512 1 33160 2 35112 1 41200 9 45310 1 46190 3 46214 1 46311 1 46370 1 46381 1 46410 1 46421 2 46431 1 46442 1 46460 3 46520 1 46610 1 46690 1 46720 1 46731 1 46732 2 46750 1 46900 11 47770 1 47784 1 47910 5 47990 1 50101 1 50102 3 50200 4 52220 2 52291 3 55201 1 58210 1 58290 1

⁵ https://www.ine.pt/ine_novidades/semin/cae/CAE_REV_3.pdf

47730	2	69200	1	46750	1	59110	7
47770	1	70220	9	46900	11	61900	2
47784	2	73110	1	47782	1	62010	10
47910	2	73110	3	47990	1	62020	3
47990	5	77340	1	47910	5	62090	1
49410	1	77400	2	47990	6	63120	1
50101	22	85520	1	49320	1	63990	1
50102	3	92000	1	50101	5	64202	1
50200	5			50102	2	68100	9
51210	1			50200	7	6810	1
52230	1			52291	1	69200	1
52291	1			58290	2	70220	26
58290	2			59110	1	71110	1
59110	4			59200	1	71120	4
61900	2			60200	1	71120	1
62010	15			62010	23	72190	1
62020	17			62020	9	73110	10
62090	4			62090	3	73120	2
63110	1			62010	2	73200	1
63120	1			62010	1	74200	2
63990	2			63110	1	74900	12
64202	5			63120	1	77110	1
68100	12			63990	1	77210	1
68311	1			64202	4	78200	2
69200	6			68100	6	79110	1
70100	1			68311	1	82200	1
70220	82			70220	13	82900	1
71110	3			71110	1	85591	1
71120	7			71110	2	90010	1
72190	2			71120	5	96093	1
73110	1			72190	1		
73200	5			73110	5		
74100	4			74100	3		
74900	22			74900	12		
78200	1			77390	1		
79120	1			79110	1		
81210	1			79900	1		
82300	1			82300	1		
82922	1			82990	2		
82990	1			86220	1		
85591	2			86906	2		
85600	1			91012	1		
86906	1			93192	1		
92000	1						
93192	2						