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REPORT

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

ADDENDUM 1

Portugal – Draft Agreed Description: Tax Incentive Scheme for the Capitalisation of Companies (PT019)

Portugal notified the Tax Incentive Scheme for the Capitalisation of Companies (PT019) to the Code of Conduct Group under the Standstill exercise in 2024. As previously done by the Group when dealing with Notional Interest Deductions (NIDs),[1] Portugal has been asked to fill-in a questionnaire which is drafted on the basis of the agreed "Guidance on Notional Interest Deduction Regimes" (WK 13075/19) and which has been used for the Group's analysis of all other NID regimes.[2] It ensures that the Group follows a consistent approach and is provided with the relevant information.

[1] For example, previous NID in Portugal (PT018) WK 14364/18 ADD 8;
[2] Belgium (BE018), Cyprus (CY020), Italy (IT019), Malta (MT014), Portugal (PT018) WK 1599/2018;

On the basis of the questionnaire, the Commission services have asked Portugal additional questions to better understand the new Portuguese NID regime. These questions and Portugal's answers thereto are added in the second part of the document as "follow-up questions".

The questionnaire and the follow-up questions replace the usual agreed description and will, thus, serve as the basis for the discussion of the measure in the Group.

I. Questionnaire

1. Name of the regime:

   Regime Fiscal de Incentivo à Capitalização das Empresas – ICE [Tax Incentive Scheme for the Capitalization of Companies]

2. Year of introduction / entry into force:

   2023 (with amendments in 2024).

   Under the terms of Article 12 ("*Transitional regime under the Tax Benefits Statute*") of Law 20/2023, of 17 May, which amended the transitional regime, the profit for the 2022 period is now covered by this regime, the resolution and corresponding application of which, in retained earnings or directly in reserves or in a capital increase, takes place in the tax period beginning on or after 1st January 2023.

   The changes to the regime introduced by Article 262 of Law 82/2023 of 29 December (Budget State Law for 2024) take effect on 1st January 2024.

3. Please attach (or provide a link to) the relevant legislation which introduced/amended your NID regime and any administrative guidance providing clarifications (if in a language other than English, please provide a translation):

   The current applicable legislation on this regime is article 43-D of the Portuguese Tax Benefits Statute (Estatuto dos Benefícios Fiscais - EBF) which refers to Article 67(1)(b) of the Corporate Income Tax (IRC) Code.

   a) The regime was introduced by article 251 of Law no. 24-D/2022, of 30 December, available at the following link:

      https://diariodarepublica.pt/dr/detalhe/lei/24-d-2022-205557192

   b) The regime was amended by Article 5 of Law 20/2023 of May 17 and Articles 238(2) and 262 of Law 82/2023 of 29 December, available at the following links:

https://diariodarepublica.pt/dr/detalhe/lei/20-2023-213132930

https://diariodarepublica.pt/dr/detalhe/lei/82-2023-835864042

c) In October 2023, administrative guidelines[3] were issued clarifying the regime available at the following link:

https://info.portaldasfinancas.gov.pt/pt/informacao_fiscal/legislacao/instrucoes_administrativas/Documents/Oficio_Circulado_20261_2023.pdf

4. Please describe the scope of entities that can claim a NID deduction (companies based in your country / treatment of PE of foreign companies):

Resident[4] commercial or civil companies in commercial form, cooperatives, public companies, and other legal entities governed by public or private law can benefit from the regime as the base of the allowance are contributions to share capital.

Permanent establishments of non-resident companies would not be eligible for this regime.

5. NID formula:

5.1. Reference Rate: please describe the formula to determine the deductible interest rate; provide the applicable rates for the previous years (since entry into force):

Under the Tax Incentive Scheme for the Capitalization of Companies, a company is granted a deduction against the corporate income tax base that is equal to the product between the amount of shareholders' new contributions for the incorporation or the increase of the company's share capital and a given notional rate.

The deduction is further increased by 50%, 30%, and 20% in 2024, 2025, and 2026, respectively.

The notional rate is fixed by the law.

Notional rates applicable since entry into force of the regime are:

- 2023: 4.5 %
- 2024: 12-month Euribor rate, which corresponds to the average of the tax period, calculated based on the last day of each month, plus a spread of 1,5 percentage points.

[3] The administrative guidelines issued do not take into account the changes to the regime introduced by Article 262 of Law 82/2023 of December 29.
[4] Those with head office or place of effective management in the Portuguese territory.

This amendment allows the rate to be proportional and updated in consideration of the existing market conditions.

However, micro, small and medium-sized enterprises (SMEs), like Small Mid Caps, get a 0.5% increase. For these purposes, micro, small and medium-sized companies are considered to be those that meet the material conditions to be a micro, small or medium-sized company, under the terms of Article 2(1) of Decree-Law no. 372/2007, of 6 November, in its current wording and respective annex (which correspond to those set out in Commission Recommendation no. 2003/361/EC, of the European Commission, of 6 May) and "Small Mid Cap" companies are those which, while not meeting those conditions, employ up to 500 workers as an autonomous company, under the terms of Article 2(2-4) of Decree-Law no. 372/2007, of 6 November, in its current wording.[5]

5.2. Equity: is your regime stock-based or an incremental regime?

The Tax Incentive Scheme for the Capitalization of Companies (Portuguese NID regime) is an incremental regime. It foresees an explicit link to the company' share capital new contributions.

5.3. Equity: please define the equity on which the interest can be deducted:

The theoretical rate of return applies to new share capital contributions made after 1st January 2023, resulting from:

- Contributions in cash made as part of the incorporation of companies or an increase in the share capital of the beneficiary company;
- Contributions in kind made as part of a share capital increase corresponding to the conversion of credits into capital;
- Share premiums;
- Appropriation of accounting results which may be distributed, under the terms of commercial legislation, to retained earnings or directly to reserves or capital increases - the first accounting result to be considered will be that of 2022.

The amount of net increases in eligible equity corresponds to the algebraic sum of the increases in eligible equity after deducting outflows, in cash or in kind, in favour of the owners of the capital, due to a reduction in the same or sharing of the assets, as well as distributions from reserves or retained earnings, which occurred in each of the previous nine (2023 tax year) or six (2024 tax year) tax periods.

If the sum of the net increases in eligible equity results in a negative figure, this net amount is considered being zero.

5 The consolidated version of Decree-Law no. 327/2007 of 6 November can be accessed at the following *link*: https://diariodarepublica.pt/dr/legislacao-consolidada/decreto-lei/2007-34558475.

6. Limitations applicable to the amount of notional interest deduction:

6.1 Does your legislation provide for a maximum amount of taxable income against which the NID can be claimed? If so, please describe the mechanism and state the lowest effective tax rate that can be achieved by using the maximum amount of NID:

In the 2023 tax year, the deduction may not exceed two million euros or 30 percent of the EBITDA (earnings before interest, taxes, depreciation, and amortisation) under the terms of article 67 of the IRC Code, whichever is the greater, with the part of the deduction that exceeds the latter limit being deductible in determining the taxable profit of one or more of the five subsequent tax periods, after the deduction for that same period, with the aforementioned limits laid down in article 43-D(4) of the EBF.

For the 2024 tax year onwards, the deduction cannot exceed four million euros or 30 per EBITDA under the terms of article 67 of the IRC Code, with the part of the deduction that exceeds the latter limit being deductible under the same terms as before.

The law does not provide any limitation about the type or the value of taxable income against which the deduction can be made.

6.2 Can the NID create losses? If so, please describe how those losses can be used by the taxpayers (carry-back, carry-forward, time and amount limitations):

The regime operates using a deduction to be made from the taxable profit in each period, whereby if, in a given year, the amount of the deduction exceeds the company's taxable profit, the surplus can be carried forward in accordance with the general provisions of the IRC Code, i.e. deducted from the taxable profits of subsequent tax periods, with no time limit; however, the deduction of losses cannot exceed 65 percent of the taxable profit in each tax period.

7. Please describe the treatment of distributions made out of profits relieved from tax through a NID claim:

No special treatment is provided to profits distributions during the taxable periods when the "*Tax Incentive Scheme for the Capitalization of Companies*" is applicable.

8. Please describe any limitations of scope in your legislation (exclusion of some specific assets, participations, treatment of foreign PE of a domestic company):

The "*Tax Incentive Scheme for the Capitalization of Companies*" is not applicable to commercial entities that:

- do not carry out, as their main activity, a commercial, industrial or agricultural activity;

- carry out activity in the financial or insurance sector;
- do not have organised accounts;
- do not comply with the legal provisions in force for the respective sector of activity;
- have their taxable profit determined by indirect methods; or
- do not have their tax and social contributions situation regularised.

The regime does not consider other capital contributions if they do not correspond to cash contributions or conversion of credits.

So transfers of any kind of assets or treatment of participations and foreign PE are not relevant issues.

9. Do you have specific anti-abuse provisions in your legislation that may apply in the following fields (if so, please explain the measure):

9.1. Intra-group loans and loans involving associated enterprises;

To avoid "cascading" effects and abuses, the law defines a specific anti-avoidance rule [see article 43-D(8)(b)] for intra-group transactions in order to exclude the allowance where, in the same taxation period or in one of the previous six taxation periods, it was or had been applied to companies holding directly or indirectly an interest in the share capital of the beneficiary company, or that are directly or indirectly held by the same company.

In these situations of special relationships, it is presumed that the capital increases were financed by these loans, unless the taxpayer proves that they were used for other purposes.

The taxpayer can prove that any transaction is carried out for valid commercial reasons and does not lead to a duplication of the benefit within a group.

9.2. Cash contributions and contributions in kind;

Share capital increases through contributions in kind are only eligible in case of conversion of credits that have been previously granted by the shareholders or third parties to the beneficiary company.

Eligible increases in equity are not considered to be those resulting from:

a) Contributions in cash, in the context of the incorporation of companies or an increase in the capital of the beneficiary company, which are financed by increases in eligible own capital in the sphere of another entity;
b) Cash contributions made in connection with the incorporation of companies or an increase in the capital of the beneficiary company by an entity with which the taxpayer is in a situation of special relations that are financed through loans granted, in the tax

period itself or in one of the six previous tax periods, by the taxpayer himself or by another entity with which that entity and the taxpayer are in a situation of special relations, in which case it is presumed that the capital increases were financed by these loans, unless the taxpayer proves that they were intended for other purposes;

c) Contributions made in cash, in the context of the incorporation of companies or an increase in the capital of the beneficiary company, by an entity that is not resident for tax purposes in another Member State of the European Union or the European Economic Area or in another state or jurisdiction with which an international double taxation treaty, bilateral or multilateral agreement providing for the exchange of information for tax purposes is in force.

9.3. Transfers of participations;

No, but see below 10.

9.4. The re-categorisation of old capital as new capital through liquidations and the creation of start-ups;

No, but see below 10.

9.5. The creation of subsidiaries;

No, but see below 10.

9.6. Acquisitions of businesses held by associated enterprises;

No, but see below 10.

9.7. Double-dipping structures combining interest deductibility and deductions under the AGI;

Article 48-D(8)(a) does not consider as eligible equity increases those resulting from contributions made in cash, within the scope of the incorporation of companies or the increase in the capital of the beneficiary company, which are financed by capital increases eligible in the sphere of another entity, avoiding double-dipping.

9.8. Increases in the amount of loan financing receivables towards associated enterprises as compared to the amount of such receivables at the reference date.

No, but see below 10.

10. Do you have a general anti-abuse provision in your legislation?

Yes. Portuguese GAAR is established in Article 38 (2) of the Portuguese General Taxation Law. The original GAAR was originally introduced in the Portuguese legislation with the original version of the General Taxation Law (Decree-Law No. 398/98, of December 17th) and was last amended by Law No. 32/2019, of May 3, which transposed the Anti Tax Avoidance Directive.

The Portuguese GAAR leads to the ineffectiveness of legal transactions if there have been constructions or series of constructions, carried out with the main purpose or one of the main purposes of obtaining a tax advantage that frustrates the object or purpose of the applicable tax law, that are carried out with abuse of legal forms or are not considered genuine, taking into account all relevant facts and circumstances. In this case, they are disregarded for tax purposes, with taxation being carried out in accordance with the rules applicable to businesses or acts that correspond to the substance or economic reality and not producing the intended tax advantages.

Furthermore, it is considered that a construction or series of constructions is not genuine to the extent that it is not carried out for valid economic reasons that reflect the economic substance and that a construction may consist of more than one stage or part.

Therefore, the points above 9.3, 9.4, 9.5, 9.6 and 9.8 can be covered by such rule, as long as the above GAAR requirements are found to be met. In such a case, the deduction from the companies' taxable profit under this regime must be disregarded, generating an additional tax assessment. Lastly, under the GAAR, the statutory compensatory interest rate is increased by 15 percentage points.

11. Please describe the administrative procedures to benefit from the NID:

There are no specific administrative procedures to benefit from the "*Tax Incentive Scheme for the Capitalization of Companies*". This Incentive does not depend on previous approval, and the Tax Authority does not provide it by a ruling. The qualifying companies claim the application of the Incentive when they file their annual tax returns. However, the administrative guidelines clarify that entities that benefit from this regime must be in a position to prove, if requested, that none of the situations set out in the special anti-abuse rules exists.

II. Follow-up Questions

In order to better understand the Portuguese Incentive Scheme for Capitalisation of Companies (PT019), the Commission has asked Portugal a number of follow-up questions on the basis of the reply to the questionnaire.

1. In question 5.1, you have indicated that the tax deduction is increased by 50% in 2024, 30% in 2025, and 20% in 2026.

   a) Could you explain the rationale behind these increases, including the degression?

Please note that what is increased is the nominal interest rate (the NID rate) and not the tax deduction.

These temporary increases were agreed under the Medium-Term Agreement to Improve Income, Wages and Competitiveness, signed between the Government and Social Partners, to boost the use of own capital instead of debt in order to address the serious depletion of the equity capital of Portuguese companies.

b) Could you explain the interaction with the ceilings, i.e., whether the increase would be capped by the ceilings?

Regardless of whether the nominal interest rate is subject to increase or not, the deduction provided for is always subject to the limits set forth in paragraph 4 of the article 43-D of the Portuguese Tax Benefits Statute (*Estatuto dos Benefícios Fiscais* - EBF).

Namely for the 2023 tax year, the deduction may not exceed 2.000.000 euros or 30 percent of the EBITDA (earnings before interest, taxes, depreciation, and amortisation) under the terms of article 67 of the Portuguese Corporate Income Tax (*Imposto sobre o Rendimento das Pessoas Coletivas* – IRC) Code, whichever is the greater, with the part of the deduction that exceeds the latter limit being deductible in determining the taxable profit of one or more of the five subsequent tax periods, after the deduction for that same period, with the aforementioned limits laid down in article 43-D(4) of the EBF.

From the 2024 tax year onwards, the deduction cannot exceed 4.000.000 euros or 30 per EBITDA under the terms of article 67 of the IRC Code, with the part of the deduction that exceeds the latter limit being deductible under the same terms as before.

2. In question 5.3, you have indicated that contributions in cash may qualify as an eligible equity increase.

a) Could you explain under what conditions contributions in cash are eligible?

Cash contributions are one of three types of entries allowed by Portuguese commercial law, being made in cash, that is the cash and other monetary assets (e.g., bank transfers) that shareholders have given a company in exchange for stock.

Cash contributions can only be made in Euros, which is the legal currency in Portugal.

In this sense, cash contributions (article 43-D(6)(a)(i) of the EBF) and in-kind contributions (article 43-D(6)(a)(ii) of the EBF) are different, as the latter are contributions with assets other than money that the partner or shareholder makes to the commercial company upon its formation or increase of its equity.

b) Could you clarify how own shares are treated in this regard?

Own shares/equity interests (treasury shares) if they exist, also form part of the concept of equity. They also constitute subscribed and paid-in capital. However, from an accounting point of view their value is deducted from the total equity value, so own shares/equity interests are excluded from eligible equity capital for the purposes of the regime.

3. In question 5.3 and 9.2, you have indicated that contributions in kind may qualify as an equity increase.

a) Could you explain under what conditions contributions in kind are eligible?

Contributions in kind are only eligible in cases where the contributions are made as part of an increase in share capital corresponding to the conversion of credits into capital - article 43-D(6)(a)(ii) of the EBF.

b) Could you explain how they are valuated?

For the purpose of verifying the value of contributions in kind subject to conversion to equity, a declaration from a certified accountant or a statutory auditor is required (the latter is always required when the audit of accounts is mandatory), mentioning that the amount is included in the accounting systems, as well as its origin and the respective date. This declaration must be filed at the time of the commercial registration of the increase and is subject to the publicity formalities provided for in the Commercial Companies Code.

c) Could you explain the meaning of the conversion of credits?

The conversion of credits into equity is a contribution in kind.

In this case, the credit is not extinguished by offsetting; it is extinguished by "confusion" (the legal term for cases in which the same person (in this case, the company) becomes simultaneously creditor and debtor of the same obligation.

4. In question 6, you have indicated that the tax deduction may not exceed EUR 2 million or 30% of EBITDA whichever is greater.

   a) Could elaborate on how these ceilings work, i.e., is it the highest amount that sets the ceiling, and the rationale for determining the level of the ceilings?

   The ceiling corresponds to the highest amount. So, when 30% of EBITDA is higher than 2,000,000 euros (4,000,000 euros from 2024), the former is applied.

   The amount that exceeds 30% of EBITDA is deductible in the determination of taxable profit for one or more of the five subsequent tax periods (in such period, the limits mentioned will apply again).

   The rationale behind these limits is to mirror the limitation to the deduction of interest expenses (article 67 of CIRC Code) in accordance with the ATAD Directive.

   b) Could you give an example?

   See the answer to question 9.

5. In question 8, you have indicated that transfers of assets are not relevant issues.

   a) Could you elaborate on this?

   That indication envisaged only to clarify that the regime does not consider other capital contributions than contributions in cash or conversion of credits.

   In this sense, there is no need to include any provision that expressly excludes the transfer of assets that are not necessary for conducting a business (for example, luxury goods, artworks, etc.).

6. In question 8, you have indicated that participations are not relevant issues. As we understand it, participations in other companies cannot qualify as an eligible equity increase as participations are not covered by the definition of eligible equity increases in Article 43d(6).

a) Could you confirm that our understanding is correct?

We confirm your understanding.

7. In question 8, you have indicated that foreign PEs in Portugal are not relevant under this regime. As we understand it, PEs are excluded from the scope of the regime, i.e., PEs cannot obtain a NID.

a) Could you clarify how capital allocated from an eligible company to a foreign PE is treated?

No provision is made for capital allocation to permanent establishment, and a foreign permanent establishment in Portugal cannot benefit from the regime as it has not equity by itself.

8. In question 9.1, you have indicated that a specific anti-avoidance rule for intra-group transactions exists.

a) Could you explain how this rule work?

Aiming to combat possible abusive practices, the regime provides for the exclusion of cash inflow transactions that may allow situations of "*double dipping*" - namely in the context of cash inflows for the formation or increase of share capital of companies, when they are financed by increases in eligible own capital in the sphere of another entity.
Please note that the original drafting of article 43-D(8)(b) of the EBF, introduced in 2023, was amended by the Budget Law for 2024.

Regarding the functioning of the rule, please check the next answer.

b) Could you provide examples of which situations would qualify as valid commercial reasons?

Article 43-D(8)(b) of the EBF wording never refers to "*valid commercial reasons*". This disposition simply excludes cash contributions made in the context of forming companies or increasing the capital of the beneficiary company by an entity with which the taxpayer was in a special relationship and that were financed through loans granted by the taxpayer itself or by another entity with which that entity and the taxpayer were in a special relationship.

Example: Company A participates in the capital of company B. B lends money to the shareholders of A or to A so that they can make increases in their social capital. This increase in social capital in B would not be eligible for the regime.
With the introduced amendment, it is presumed that, in these cases, the increases in capital were financed by such loans, unless the taxpayer proves that they were intended for other purposes.

Example: Company A participates in the capital of company B. B makes a loan to the partners of A or to A so that they can make increases in their social capital. This increase in social capital in B will be eligible for this regime if A or the partners of A can prove that the loan was made to finance, for example, the acquisition of a property, and not to finance the increase in social capital in B.

And in addition:

9. Could you provide specific examples of the calculation of the NID (ICE) under the regime?

Considering an SME that, for ICE purposes, considered the increases in eligible equity evidenced in column 2 of the table below and the cash or cash outflows evidenced in column 3, and also considering that 30% of EBITDA corresponds to the values in column 7, the calculation of the ICE deduction in each taxable period, as well as the carryover value, in situations where applicable [article 43-D (5)], will be calculated in each taxable period as follows:

Taxable 2023: Net increases in the period: € 29,000,000.00 Potential tax benefit for the period (before subject to the limit of article 43-D (4): € 1,450,000.00 (€ 29,000,000.00 x 5%); Considering that 30% of EBITDA is lower than the limit provided for in article 43-D(4)(a), the limit provided for in letter a) will be the applicable limit (the higher of the two), so the tax benefit calculated during the period can be fully deducted in determining taxable income, in the amount of € 1,450,000.00.

Taxable 2024: Although in the taxable period of 2024, the net increase in equity is negative (€ -20,000,000.00), the sum of the amounts calculated in the current year and in each of the nine previous taxable periods (article 43-D(3) amounts to € 9,000,000.00, so the tax benefit for the

period amounts to € 450,000.00 (€ 9,000,000.00 x 5%), which, considering that 30% of EBITDA is 1,300,000.00, is fully deductible in the period as the limit provided for in article 43-D(4)(a) applies.

Tax period of 2025: Potential tax benefit for the period corresponds to € 5,450,000.00 (€ 109,000,000.00 x 5%); considering that 30% of EBITDA is € 4,000,000.00, the applicable limit will be that of art. 43.º-D(4)(b) (the higher of the two), so the deduction to be made in that period will amount to € 4,000,000.00; it should be noted, however, that in accordance with the provisions of art. 43.º-D(5), the part of the deduction that exceeds the limit provided for in the previous number b) is deductible in the determination of taxable profit for one or more of the five subsequent tax periods, after the deduction for that same period, but with the limits provided for in of art. 43.º-D(4). Therefore, the amount of € 1,450,000.00 (€ 5,450,000.00 - € 4,000,000.00) may be carried forward to the following periods. Note that if the deduction is not possible within 5 years, the respective balance will expire.

Tax period of 2026: Although there were no eligible entries or exits in this tax period, the sum of the amounts determined in the current financial year and in each of the nine previous tax periods (no. 3 of article 43.º-D(3)) amounts to € 109,000,000.00, so the potential tax benefit for ICE in this period amounts to € 5,450,00.00; Considering that 30% of EBITDA amounts to € 1,900,000.00, the applicable limit will be that of al. a) of no. 4 of art. 43.º-D(4)(a), being able to deduct the amount of € 2,000,000.00; note that if the applicable limit is that of 43.º-D(4)(a), there is no room for the carry forward of the part of the benefit that is not deductible.

Tax period of 2027: The (potential) tax benefit for the period corresponds to € 5,550,000.00 (€ 111,000,000.00 x 5%); Considering that 30% of EBITDA is € 6,000,000.00, the applicable limit will be that of 43.º-D(4)(b), being able to deduct the total benefit determined in the period as ICE.

However, considering that the deduction for the period fell short of the maximum applicable limit (€ 6,000,000.00), you may still use / deduct € 450,000.00 from the carry forward balance, so in this tax period you may deduct € 6,000,000.00 in determining your taxable profit, with € 5,550,000.00 relating to the benefit determined in the period and € 450,000.00 relating to the carry forward balance, still carrying forward the remaining carry forward balance for the following periods, in the amount of € 1,000,000.00.

Tax period of 2028: In this period, the net increase in equity was negative (€ -200,000,000.00), and the sum of the values determined in the current year and in each of the nine previous tax periods (article 43-D(3)) also recorded a negative value (€ -89,000,000.00), so, in accordance with article 43-D(3), which determines that for the purposes of the deduction provided for in paragraph 1, the amount of eligible net increases in equity is considered to be zero in situations where the sum results in a negative difference, no amount will be determined as ICE for the period (without prejudice to the use of carry forward amounts, if applicable). However, considering that 30% of EBITDA is € 1,990,000.00 and the limit of paragraph a) is € 2,000,000.00, may fully deduct the carry forward balance as ICE in the amount of € 1,000,000.00.

Tax period of 2029: In this tax period, there were no eligible inflows or outflows, and the sum of the amounts calculated in the current fiscal year and in each of the nine previous tax periods (article 43-D(3)) also recorded a negative value (€ -89,000,000.00), therefore there is no assessment of any amount for ICE tax in that period (without prejudice to the use of carried forward amounts, if applicable).

Tax period of 2030: Net increases for the period: € 300,000,000.00; Potential tax benefit for the period (before subject to the limit of article 43-D(4): € 10,550,000.00 (€ 211,000,000.00 x 5%); Considering that 30% of EBITDA is € 1,500,000.00, which is lower than the limit provided article 43-D(4)(a), the limit provided in section a) will be the applicable limit (the higher of the two), therefore the tax benefit calculated for the period can be fully deducted in determining taxable income, that is, in the amount of € 2,000,000.00.

Tax period of 2031: Net increases for the period: € 300,000.00; Potential tax benefit for the period amounts to € 10,565,000.00 (€ 211,300,000.00 x 5%). Considering that 30% of EBITDA is € 4,000,000.00, the applicable limit will be that of article 43-D(4)(b) (the higher of the two), therefore the deduction to be made in that period will amount to € 4,000,000.00; it is worth noting, however, that in accordance with article 43-D(5), the part of the deduction that exceeds the limit provided in section b) of the previous number is deductible in determining taxable income for one or more of the five subsequent tax periods, after the deduction for that same period, but within the limits provided in article 43-D(4).

Therefore, it may report an amount of € 6,565,000.00 (€ 10,565,000.00 - € 4,000,000.00) for the following periods. Note that if the deduction is not possible within 5 years, the respective balance will expire.

Tax period of 2032: In this period, the net increase in equity was negative (€ -500,000,000.00), and the sum of the values calculated in the current fiscal year and in each of the previous nine tax periods (article 43-D (3)) also registered a negative value (€ -288,700,000.00).Therefore, considering the provision of article 43-D(3), which determines that for the purposes of the deduction provided it is considered that the amount of eligible net increases in equity corresponds to zero in situations in which this sum results in a negative difference, in this period there is no amount to be determined as ICE computed for the period itself (without prejudice to the use of the amounts carried forward, if applicable). However, considering that 30% of EBITDA is € 5,000,000.00 and the limit of item a) is € 2,000,000.00, may deduct carried forward balance as ICE in the amount of € 5,000,000.00.

Tax period of 2033: In the 2033 tax period, although the net increase in equity is € 10,000,000.00, the sum of the values calculated in the current fiscal year and in each of the nine previous tax periods, excluding 2023 (article 43-D(3)), registers a negative value (€ -307,700,000.00). There is no tax benefit for the period. However, considering that 30% of EBITDA is € 1,500,000.00, the deduction to be made in this period will be € 1,565,000.00, corresponding to the balance carried forward from the previous period. The applicable limit will be that of article 43-D(4)(a) (the higher of the two).

In summary:

(1) Year	(2) Increase in eligible own funds [Article 43d(6)a]	(3) Eligible withdrawals in cash or in kind. [Article 43d(6) b) ii)]	(4) Net increases in eligible equity in the period. [Article 43d(6) b)]	(5) Sum of the calculated values [Article 43d(3)]	(6) Potential tax benefit (Previous column x NIDrate)	(7) 30% of EBITDA [Article 43d(4) b]	(8) Tax benefit [Article 43d(4)]
2023	30.000.000,00	1.000.000,00	29.000.000,00	29.000.000,00	1.450.000,00	1.200.000,00	1.450.000,00
2024	50.000.000,00	70.000.000,00	-20.000.000,00	9.000.000,00	450.000,00	1.300.000,00	450.000,00
2025	100.000.000,00	0,00	100.000.000,00	109.000.000,00	5.450.000,00	4.000.000,00	4.000.000,00
2026	0,00	0,00	0,00	109.000.000,00	5.450.000,00	1.900.000,00	2.000.000,00
2027	2.000.000,00	0,00	2.000.000,00	111.000.000,00	5.450.000,00	6.000.000,00	5.550.000,00
2028	0,00	200.000.000,00	-200.000.000,00	-89.000.000,00	0,00	1.990.000,00	0,00
2029	0,00	0,00	0,00	-89.000.000,00	0,00	300.000,00	0,00
2030	300.000.000,00	0,00	300.000.000,00	211.000.000,00	10.550.000,00	1.500.000,00	2.000.000,00

2031	300.000,00	0,00	300.000,00	211.300.000,00	10.550.000,00	4.000.000,00	4.000.000,00
2032	0,00	500.000.000,00	-500.000.000,00	-288.700.000,00	0,00	5.000.000,00	0,00
2033	10.000.000,00	0,00	10.000.000,00	-307.700.000,00	0,00	1.500.000,00	0,00

10. Could you provide information about the expected impact of the measure, e.g., budgetary estimations, number of taxpayers expected to use it, or other relevant impact assessments?

The Portuguese authorities estimated the budgetary impact of introducing the regime at 180 million euros for the year 2024.[6]

Given that the legal deadline for submitting the income declaration for the 2023 financial year ended only in mid-July, we are not yet able to provide additional data on the corresponding impact.

11. Could you inform of the policy objectives behind abolishing the old NID regime (PT018) and introducing a new one (PT019)?

The option to revoke the previous regime was a political choice based on recommendations from the International Monetary Fund (2022) to replace the previous tax incentives in order to encourage companies to finance through equity and suggested the implementation of a regime aligned with the DEBRA (Debt Equity Bias Reduction Allowance) Directive proposal.

III. Follow-up:

- The Group agreed with the draft agreed description.
- The Group agreed that the measure should be assessed.

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[6] State Budget Report 2024 available at https://www.portugal.gov.pt/download-ficheiros/ficheiro.aspx?v=%3d%3dBQAAAB%2bLCAAAAAAABAAzNLY0MgYAHNrnwQUAAAA%3d, page. 85.