NEW ACTION GUIDELINES FOR EUROPEAN STRUCTURAL AND INVESTMENT FUNDS FOR 2014-2020

The Partnership Agreement to be entered into between Portugal and the European Commission pursuant to which Portugal shall receive circa 27.8 billion euros in European funds during 2014-2020 is currently under negotiation. On 20 May 2013, the Council of Ministers approved Resolution no. 33/2013 which outlines the conditions for the aforementioned Partnership Agreement and discloses the main action guidelines for the European structural and investment funds for 2014-2020.

According to Resolution no. 33/2013, there are five structural reorientation guidelines, notably: (i) the programming and implementation of the new EU funds shall be focused on results, thus prioritizing related interventions the effects of which reinforce one another when integrated; (ii) the new EU funding shall be preferentially reimbursable (although nonreimbursable funding still exists in certain circumstances); (iii) simplification of the procedures concerning the implementation of the EU funds; (iv) enhancement of the coordination between national and EU funding sources (which will allow joint procedures for the approval and implementation of both funding sources); and (v) enhancement of the coordination and integration between different EU funds, preferably through multifund implementation and integrated territorial approach.

Furthermore, following the publication of the assumptions of the Partnership Agreement, the Portuguese Government approved, by means of Resolution of the Council of Ministers no. 39/2013, 6 June, a new institutional model of governance for the EU funds. For this purpose, the Agency for the Development and Cohesion shall be created and shall be responsible for the programming, coordination, certification and payment of the EU cohesion policy funds (European Regional Development Fund/ERDF, Cohesion Fund/CF and European Social Fund/ESF).

Dzhamil Oda

NEW TAX INCENTIVES' PACKAGE FOR INVESTMENT IN PORTUGAL

On 18 June 2013 several tax measures promoting investment regarding production, internationalization and fostering job creation in Portugal were approved by the Decree-Law no. 82/2013, 17 June. Tax benefits of contractual nature may now be granted to eligible investment projects in amounts equal to or above 3 million euros.

The Business Research and Development Tax Incentives System ("Sistema de Incentivos Fiscais em Investigação e Desenvolvimento Empresarial II"/SIFIDE II) has been amended and now allows increased deductibility of certain research and development expenses, in accordance with a regime applicable until 2015. This measures are aimed at resident entities (or permanent establishments of non-resident entities) carrying out activities in agricultural, industrial, commercial and service businesses, which may be eligible according to the amended regime.

A special tax regime to support investment ("Regime Fiscal de Apoio ao Investimento"/RFAI) was also approved comprising tax incentives for investment in the agricultural, forestry, agroindustrial, touristic, and extractive and transforming industries (regime applicable until 2017). If certain requirements are met these incentives may consist, among others, in an exemption from municipal tax on transfers of immovable property (IMT), municipality tax on holding immovable property(IMI), stamp tax, and a partial deduction of the amount of tax due in any given fiscal year (variable according to the amount of the investment). However, not all expenses may be qualified as investment for the purposes of the RFAI regime, thus a careful a priori risk analysis assessment of the expenses and the conditions of each investment is necessary.

Future approval of other investment tax incentives are foreseen such as the extraordinary tax credit "Crédito Fiscal Extraordinário", a partial deduction of the amount of tax due in any given fiscal year) and, regarding Corporate Income Tax (IRC), interest and royalty exemptions paid to associated enterprises resident in another EU Member-State.

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