

Powering Up in Portugal: Government Incentives for Start-ups and Businesses

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By **Cátia Silva**, 30th April 2024

Portugal has emerged as a haven for entrepreneurs and established businesses alike with their government incentives for start-ups and businesses. To fuel this growth, the government offers a robust package of financial support, tax breaks, and regional perks. Let's delve into the toolbox Portugal provides to jumpstart your venture and explore the Portuguese government incentives available for startups and businesses.

Key Requirements to access Government incentives for Start-ups and Businesses

Start-ups in Portugal are defined as:

- Those in operation for less than 10 years,
- Employing less than 250 employees,
- With an annual turnover of less than €50m,
- Not the result of transformation or split from a large company,
- No large company holding a majority direct or indirect stake in its capital,

- Has its headquarters or permanent representation office in Portugal (or employs at least 25 employees in Portugal), and
- Meets the following conditions cumulatively:
 - **Innovation & Growth:** The company must be deemed innovative with high growth potential or have R&D activities recognized by the National Agency of Innovation (“ANI” or *Agência Nacional de Inovação*).
 - **Funding:** At least one round of venture capital financing or contributions from business angels.
 - **Government Funding:** Have been granted funds from the *Banco Português de Fomento*, or funds managed by this entity, or by its subsidiaries, or from one of its equity or quasi-equity instruments.

Financial Incentives:

- **Grants and Investment Funds:** Several programs offer direct grants for innovation and development. Examples include the SI for Technological R&D and the SICE – Productive Innovation.
- **Access to EU Subsidies and Grants:** Portugal is a member of the EU and thus may have access to EU based subsidies and grants available.

Tax Advantages:

- **R&D Tax Incentives:** Portugal boasts a generous R&D tax credit system (SIFIDE). This program allows companies to deduct a significant portion of R&D expenditures, significantly reducing their tax burden.
- **Corporate Income Tax Deductions:** Start-ups benefit from a recent tax code update offering an additional deduction on their tax base for increases in eligible equity.

- Start-ups in Portugal are subject to a 12.5% corporate income tax rate (in Mainland Portugal) or 8.75% (in Madeira) on the first €50,000 of taxable income (the exceeding amount will be taxed at a rate of 21% in Mainland Portugal or 14.7% in Madeira);
- **Madeira IBC:** Start-ups may consider moving the operations into the Madeira International Business Centre which offers a corporate tax rate of 5% on permitted activities, provided certain substance criteria are met, such as a €75,000 investment and a permanent employee tax resident in the island of Madeira. [Click here](#) for more information.
- **Patent Box Regime:** Portugal's Patent Box grants an 85% tax exemption on income derived from qualifying intellectual property (IP) like patents and copyrights. This incentivizes innovation and protects your intellectual assets.

Regional Support:

- **Focus on Specific Areas:** Portugal recognises the importance of regional development. Many areas offer additional tax breaks and subsidies, for businesses operating in specific sectors or locations.

Finding the Right Fit:

To navigate this extensive support system, it's crucial to identify the programmes that best suit your company's needs and location.

Additional Benefits to Incorporating in Portugal:

Portugal's appeal extends beyond financial incentives. The country boasts a skilled and multilingual workforce, a streamlined business setup process, and a flourishing startup ecosystem.

Portugal boasts a high quality of life for its residents. Its vibrant ecosystems foster a thriving startup community, incubators and co-working spaces encouraging collaboration, networking, and ample access to resources. This supportive environment and attractive incentives offer a fertile ground for startups and businesses to thrive.

Portugal consistently ranks among the safest countries in the world, offering a peaceful and welcoming environment with stringent safety and security processes.

Lastly, the mediterranean weather, diverse landscapes, and rich cultural heritage provide an attractive living environment for entrepreneurs and their teams.

Taking the Next Steps:

When partnering with a service provider who has an international and local presence, you are able to leverage government programmes and explore regional benefits to turn your entrepreneurial goals into a reality.

Consulting with professionals such as Dixcart, ensures you are maximising the advantages available to your start-up or business. Reach out to our experts in Dixcart Portugal for more information on taking the next steps: advice.portugal@dixcart.com