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**Tax Incentives for
Scientific Research and
Innovation: Have You Heard
About RNH 2.0?**

The regulation of the Tax Incentive Regime for Scientific Research and Innovation (hereafter referred to as IFICI), published at the end of the year, clarified the provisions initially outlined in the regime established by Law 82/2023 of December 29, which approved the 2024 State Budget and amended the Tax Benefits Statute.

Let's take a closer look at Decree 352/2024/1, dated December 23, to determine whether you can benefit from this incentive and under what terms:

■ Who is IFICI applicable to?

IFICI applies to all taxpayers who, not having been residents in Portuguese territory in any of the previous five years, become fiscal residents in Portugal from January 1, 2024, and engage in activities that fall under the following categories:

- i. Teaching in higher education and scientific research;
- ii. Qualified jobs or roles as members of governing bodies in entities benefiting from incentives for productive investment;
- iii. Highly qualified professions, as defined by regulation, developed in companies that benefit from investment support schemes or have significant export activity;
- iv. Research and Development (R&D) activities, including personnel whose costs are eligible for fiscal incentives in R&D;
- v. Jobs in entities certified as STARTUPS;
- vi. Work developed by fiscal residents in the Azores and Madeira, as defined by Regional Legislative Decree.

Decree 352/2024/1, of December 23, formally regulates and identifies the activities targeted by IFICI and defines where these activities can be developed.

■ What activities are eligible for the incentive under the new regulation?

According to the Decree, the following are considered highly qualified professions for the purposes of IFICI:

- i. 112 – General manager and executive manager of companies;
- ii. 12 – Administrative and commercial service directors;
- iii. 13 – Production and specialized service directors (excluding 1349);

- iv. 21 – Specialists in physical sciences, mathematics, engineering, and related techniques (excluding 216);
- v. 2163.1 – Industrial product or equipment designer;
- vi. 221 – Medical doctors;
- vii. 231 – University and higher education professors;
- viii. 25 - Specialists in information and communication technologies (ICT).

■ **Where can highly qualified professions be carried out?**

The Decree specifies the eligible industrial and service sectors as follows:

- i. Extractive industries – Divisions 05 to 09;
- ii. Manufacturing industries – Divisions 10 to 33;
- iii. Information and communication activities – Divisions 58 to 63;
- iv. Research and development in physical and natural sciences – Group 721;
- v. Higher education – Subclass 85420;
- vi. Human health activities – Subclasses 86100 to 86904.

■ **What is the fiscal benefit provided?**

The net income from categories A and B derived from the above activities benefits from a special 20% IRS rate. This benefit is valid for 10 consecutive years, starting from the taxpayer's registration as a resident in Portugal. However, taxpayers retain the option to choose income aggregation.

■ **What other requirements must be considered?**

Workers eligible for the list of highly qualified professions must, at a minimum, hold a doctorate (level 8 of the European Qualifications Framework or level 8 of the International Standard Classification of Education – ISCED) or a bachelor's degree with three years of duly proven professional experience (level 6 of the European Qualifications Framework or level 6 of ISCED).

■ How are registration requests processed?

Applications must be submitted to the appropriate competent authorities:

- i. **Foundation for Science and Technology (FCT)**, for teaching and scientific research activities, including scientific employment in entities, structures, and networks dedicated to the production, dissemination, and transmission of knowledge, integrated into the national science and technology system, as well as for jobs and roles in governing bodies in entities recognized as centers of technology and innovation.
- ii. **Portuguese Trade and Investment Agency (AICEP, E.P.E.)**, for qualified jobs and governing body roles under the scope of contractual benefits for productive investment.
- iii. **Tax and Customs Authority (AT)**, for highly qualified professions listed in Annex I of this regulation, developed:
 - a. In companies with relevant applications within the five years prior to the commencement of duties, benefiting or having benefited from the fiscal support scheme for investment;
 - b. In industrial and service companies whose primary activity corresponds to one of the Portuguese Classification of Economic Activities (CAE) codes listed in Annex II of this regulation, which export at least 50% of their turnover in the year duties begin or in either of the two preceding years.
- iv. **AICEP, E.P.E., or IAPMEI – Agency for Competitiveness and Innovation, I.P. (IAPMEI, I.P.)**, in the case of qualified jobs and members of governing bodies in entities engaged in economic activities recognized by AICEP, E.P.E., or IAPMEI, I.P., as relevant to the national economy, particularly for attracting productive investment and reducing regional disparities.
- v. **National Innovation Agency, S.A.**, in the case of research and development activities involving personnel whose costs are eligible under the fiscal incentive system for corporate research and development.
- vi. **Startup Portugal**, for jobs and governing body roles in entities certified as startups.

The mentioned entities must communicate all information to the Tax and Customs Authority, along with confirmation of compliance with the requirements, by February 15 of each year. The AT provides taxpayers with their status by March 31 annually.

■ **What is the deadline for registration applications? What documents are required?**

Applications must be submitted by **January 15 of the year following the year** of becoming a resident in Portuguese territory. The same date applies to the communication of changes. For income earned in 2024, however, applications **may be submitted until March 15, 2025**.

Applicants must provide the following documents:

- i. A copy of the individual employment contract (if the activity performed is a job);
- ii. An updated permanent commercial certificate (if the activity performed is as a governing body member);
- iii. A copy of the grant contract (if the activity performed is scientific research);
- iv. Proof of applicable academic qualifications;
- v. A declaration confirming compliance with the requirements for the activity performed in cases such as:
 - Qualified jobs and governing body roles under the scope of contractual benefits for productive investment;
 - Highly qualified professions as defined in the government regulation;
 - Other qualified jobs and governing body roles in entities recognized by AICEP or IAPMEI as relevant to the national economy, including attracting productive investment and reducing regional asymmetries;
 - Research and development personnel whose costs are eligible under the fiscal incentive system for corporate R&D.

■ Which model should be used for registration applications?

The official model is yet to be approved.

■ Final Considerations

While not as broad as its predecessor (the Non-Habitual Resident Regime), IFICI is relevant and fiscally attractive for those pursuing highly qualified professions in Portugal.

With the recently published Decree, some doubts and uncertainties that previously limited the regime's attractiveness have been resolved, including the specification of concepts and the exact definition of beneficiaries and eligible activities. Nevertheless, expectations remain regarding the model for registrations (still pending approval) and the regulation of eligibility criteria for other highly qualified jobs and governing body roles, as promised by the Minister of Economy by early 2025.



Despite being published on December 23, 2024, the Decree's provisions are retroactive to January 1, 2024.

Dower Law Firm's Tax Law Team