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Special taxation Scheme of Debt Securities Income

Law n.º 83/2013 was published on last December 9, and, among other provisions, introduced some amendments on the Special Taxation Scheme of Debt Securities Regime income approved by the Decree-Law n.º 193/2005, of November 7 (hereinafter referred to as “The Regime”).

According to the initial wording of the Regime, interest and other income deriving from public and non-public debt securities (including bonds convertible in shares but excluding securities of a monetary nature) registered in centralized securities system recognized under the Portuguese Securities Market Code, were exempt from Personal and Corporate Income Tax when paid to effective owners without residence, head office or effective management in Portugal to which the income is attributable, except for entities resident in territories subject to a clearly more favorable tax regime (blacklisted), or entities that are more than 20% held, directly or indirectly, by resident entities.

Acknowledging some criticism expressed since the entry into force of the Regime, the Law now published introduces some significant amendments, of which we highlight the following:

- The inclusion of the securities of a monetary nature, thus applying the tax exemption to the commercial paper issued by Portuguese companies;
- The elimination of the exclusion of the non-resident entities held in more than 20% by Portuguese resident entities;

- The inclusion of the debt instruments registered in any international Central Securities Depository;

The amendments introduced apply to debt securities issued after December 31, 2013, and to the income obtained after the first due date occurred in 2014, for debt issued before that date.

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