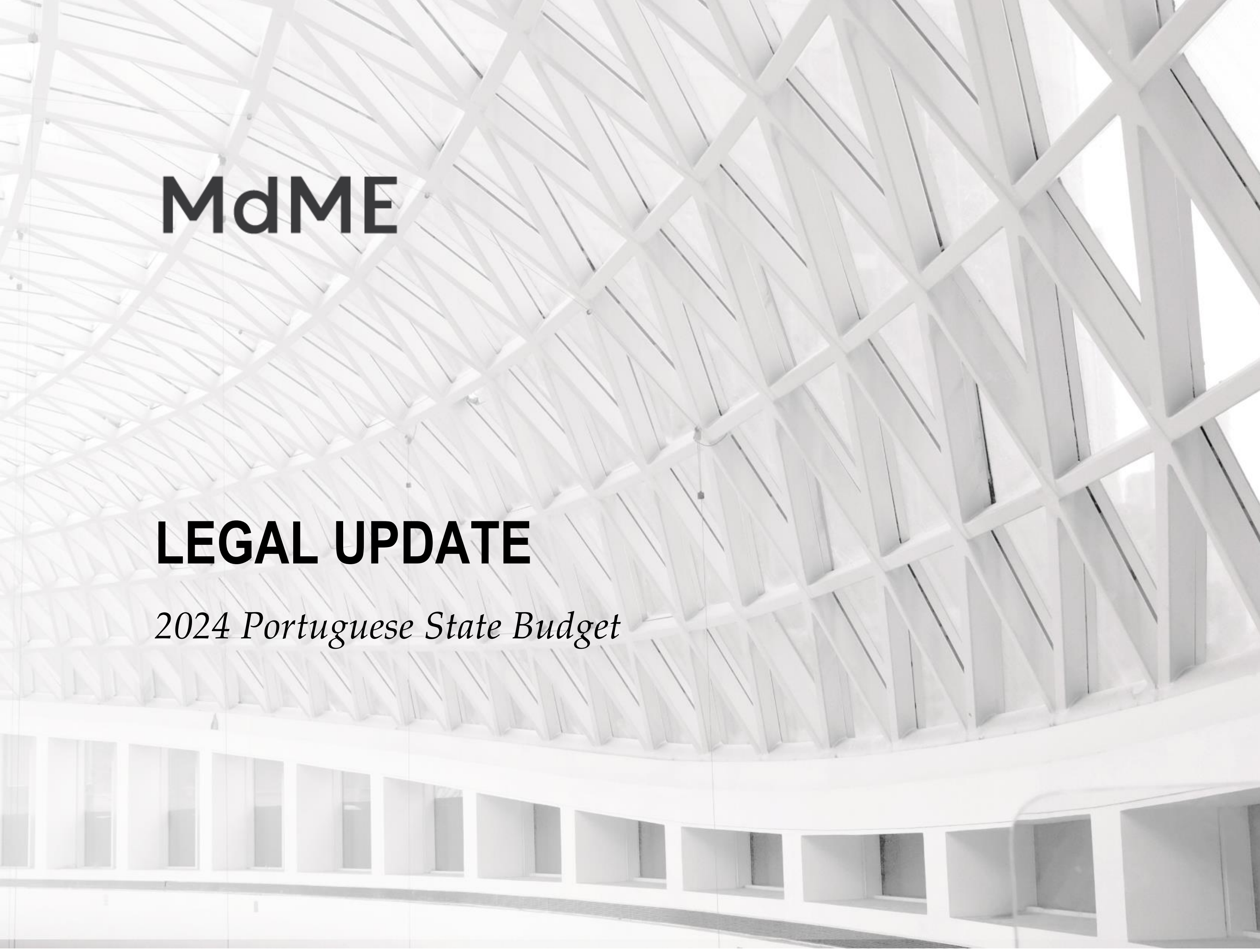

LEGAL UPDATE

2024 Portuguese State Budget

Relevant employment-related measures provided for in the Portuguese State Budget for 2024, approved by Law no. 82/2023 of December 29th:

I. Employment and Professional Training Support and Incentives.

- With the renewal of the Converte + Program, employers may apply for financial support when converting fixed-term employment agreements concluded up to November 14, 2023, into permanent employment agreements.

- A program for the professional integration of the homeless is to be implemented, through training and technical and financial support for employers.
- The professional internships promoted by the IEFP for access to the profession of journalist will be increased to 12 months in the case of a degree in social communication or a qualification with an equivalent course, and to 18 months in other cases. These internships must be mentored by accredited journalists.

II. Withholding Tax

- The withholding tax tables are set out in Order no. 13288-E/2023 of December 29.
- The withholding tax amount may be reduced by 40.00 EUR (forty euros) when the employee cumulatively:

  a) Holds a registered lease or sublease agreement or a loan agreement for the purchase, renovation or construction of their permanent home.

  b) Have a monthly salary that does not exceed 2,700 EUR.

  c) Inform their employer of their intention to benefit from this reduction.

- The amounts paid to employees for transport expenses and subsistence allowances are now exempt from withholding tax (and Social Security contributions) up to the following amounts:

  a) Travel by own vehicle: 0.40 EUR per kilometer.

  b) Domestic travel:

  i. *Employees: 62.75 EUR.*

ii. *Those in the private sector comparable to members of the Government: 69.19 EUR.*

c) Travel abroad:

i. *Employees: 148.91 EUR.*

ii. *Those in the private sector comparable to members of the Government: 167.07 EUR.*

- From January 1st, 2024, to December 31st, 2026, income in species with origin in the provision of permanent housing in Portuguese territory by the employer is exempt from IRS (and Social Security contributions) up to the rent limits set by the rental support program (Programa de Apoio ao Arrendamento). This does not apply to employees who hold, directly or indirectly, a 10% or more share in the employer's share capital or voting rights.

III. IRS deductions.

- The amount paid in union dues increased by 100% may be deducted by employees, up to a limit of 1% of gross income and if they are not in return for certain benefits or subsidies.

- 5% of the salary paid for domestic work may be deducted up to a limit of 200.00 EUR.

IV. IRS Exemptions

- Labor income of those who are not considered dependents and are *(1) between 18 and 26 years old and have completed a course of study equal to or higher than secondary education or (2) up to the age of 30 and have completed a course of study equivalent to a doctorate,* benefit from the following IRS exemption:

a) 100% in the first year, up to a limit of 20,370.40 EUR.

b) 75% in the second year, up to a limit of 15,277.80 EUR.

c) 50% in the third and fourth years, up to a limit of 10,185.2 EUR.

d) 25% in the fifth year, up to a limit of 5,092.60 EUR.

- If the employer increases the fixed remuneration of all its employees by 5% or more, the amount paid to employees as *profit-sharing, by way of balance-sheet bonuses*, is exempt from IRS up to the limit of a fixed monthly salary and with a maximum limit of 4,100 EUR (5 RMMG). This income is, however, included in the taxable income to determine the applicable rate.
- 50% of the income from dependent work and business income, is excluded from IRS up to a limit of 250,000 EUR for those who:

  a) become a tax resident in the years 2024 to 2026.

  b) have not been tax resident in Portuguese territory in the previous five years but has resided in Portuguese territory at a previous time.

V. Self-employed Workers

It is planned to study the possibility of including self-employed workers in parental leave regime and apply progressive withholding tax rates.

VI. Tax Incentives for Wage Increases

- The wage increase tax incentive is no longer limited to wage increases established by collective bargaining agreements. Wage increases will be considered at 150% regarding (1) employees with an open-ended employment contract covered by a dynamic collective bargaining agreement (2) to the extent that they exceed the national minimum wage (3) whose increase in fixed remuneration is equal to or greater than 5%.

- The definition of a "collective bargaining agreement" for 2023 and 2024 tax periods is clarified.

VII. Tax Incentives related to the Acquisition of Start-up Shares by Employees

- Employees who, on May 26, 2023, held shares that were exempt from IRS in the version given by Law no. 114/2017, of December 29 to the Tax Benefit Statutes, that hold them for at least two years since they were opted for or subscribed to, retain the right to that exemption.

- Gains resulting from the sale of securities or similar rights, acquired before May 26, 2023, whose holders have benefited from the above-mentioned exemption regime, are taxed under category G, and calculated as the positive difference between the realization value and the market value on the date of acquisition.

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