

NEWSLETTER

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TAX ASPECTS OF R&D IN PORTUGAL – THE EXTENSION OF SIFIDE II

Portugal has a business tax framework conducive to investment in general, and to technological investment in particular, as well as to the promotion of research and development activities in this area.

Law No. 13/2026 of 16 April authorised the Government to extend and review the Tax Incentive Scheme for Business Research and Development II (SIFIDE II), which warrants analysis.

Advisory Team



INTRODUCTION

As previously highlighted in newsletters [50/23](#), [62/23](#) and [6/24](#), Portugal has a highly attractive R&D regime, ranging from the tax benefits provided for in the Investment Tax Code (CFI), specifically for research and development under the second System of Tax Incentives for Business Research and Development (SIFIDE II), as well as other investment incentives provided for in the Investment Support Tax Regime (RFAI), in addition to other schemes provided for in the Corporate Income Tax Code (CIRC), the Patent Box, one of the most attractive in the European Union, or the tax loss carry-forward rule – and, furthermore, other schemes provided for in the Tax Benefits Statute (EBF), notably the incentive for the remuneration of employees and founders through stock option plans.

Notwithstanding the fact that it is scattered across various pieces of legislation and that there is room for improvement, Portugal currently has a tax and business framework conducive to investment in general, and to technological investment in particular, as well as to the promotion of research and development (R&D) activities.

It should be noted that SIFIDE II is a tax benefit designed to encourage investment in R&D – activities related to the creation or improvement of a product, process, programme or equipment, which represent a substantial improvement and do not result merely from the simple application of the current state of the art – allowing for a tax break, by way of a deduction from corporate income tax (CIT) of an amount of taxable income equal to a percentage of the relevant and eligible expenses incurred in that investment. The recent [Law No. 13/2026](#) of 16 April (Law No. 13/2026) authorises the Government to amend the CFI with a view to extending and revising SIFIDE II. In this revision, it is noteworthy that this enabling legislation requires that, within the scope of the authorised Decree-Law amending SIFIDE II, investment in R&D activities might henceforth be realised through expenditure on investments in productive innovation that are directly resulting from and functionally complementary to R&D activities carried out by companies.

It is necessary to contextualise and analyse these new developments, taking into account the debate that took place during the passage of this enabling legislation, in order to put its impact and the future of this incentive into perspective, noting that, by all indications, a working group will be set up which, throughout 2026, will carry out a review of SIFIDE II, with a view to ensuring that Portugal continues to have a modern, attractive and effective tax incentive for attracting investment in business R&D.

Thus, although this authorisation law provides that the SIFIDE II scheme will remain in force in 2026 (as it would otherwise have expired in 2025), this one-year extension is not the ‘final destination’ intended by the legislator for this incentive scheme.

THE LEGISLATIVE PROCEDURE OF LAW NO. 13/2026: THE GOVERNMENT'S PROPOSAL

On 13 November 2025, the Government submitted [Law Proposal No. 44/XVII/1st](#) to the Parliament, seeking legislative authorisation to extend and revise SIFIDE II until the 2026 tax year, with the stated intention of improving its effectiveness and economic impact.

The proposal also acknowledged that, in the decree-law to be approved, the indirect application of SIFIDE II through investment funds would not be extended, citing structural limitations and a mismatch between the tax deduction and the investment actually made in R&D. Transitional measures were also provided for to facilitate the use of amounts already paid but not yet invested.

Among the transitional measures, the following stood out: the extension of deadlines for investment and implementation, the (limited) possibility of allocating part of the contributions to productive innovation expenditure complementary to R&D activities, and the simplification of certain requirements for access to the scheme.

In the context of tax groups, the proposal provided that the incremental rate, the limit and the increase should apply to the accrual of the sum of expenditure incurred by the tax group companies.

THE LEGISLATIVE PROCEDURE OF LAW NO. 13/2026: OPINIONS SOUGHT BY THE SPECIALISED COMMITTEE

For the discussion in the specialised committee, consultations were held with various entities; a summary of the conclusions of the respective opinions is presented here.

The Portuguese Certified Public Accountant's College (Ordem dos Contabilistas Certificados):

- ✓ noted that Certified Public Accountants are required to attest the eligibility of expenses in applications to SIFIDE II, even though, as a rule, they do not participate in their preparation
- ✓ questioned the appropriateness of such a statement, as Certified Public Accountants may not have full knowledge of the R&D nature of the projects and as it requires specialised technical assessment

The Portuguese Venture Capital Association (Associação Portuguesa de Capital de Risco):

- ✓ emphasised the role of indirect SIFIDE II in financing companies via venture capital funds, considering it difficult to replace with direct SIFIDE II
- ✓ highlighted the reduced usefulness of the direct scheme for start-ups and early-stage companies, as they often lack taxable income for deduction
- ✓ highlighted weaknesses in the indirect scheme, including (i) the lack of mechanisms to ensure that standard return demands are not reduced, (ii) the lack of mechanisms for co-investment by non-SIFIDE private capital in the funds, which are relevant to the market validation of their quality, terms and investment policies, (iii) time and operational constraints that may distort investment decisions, (iv) uncertainty regarding the eligible use of capital, and (v) uncertainty in the interpretation of the concept of innovation
- ✓ advocated aligning or linking the concept of innovation with the concept of productive innovation already adopted in the context of business investment incentive schemes, and revising the proposed quantitative threshold (20%)
- ✓ warned of the risk of lower returns and negative reputational impact for the industry

Investors Portugal:

- ✓ argued that incentives for SIFIDE funds generate a lasting impact and high returns, proposing predictability and the extension of similar mechanisms to the venture capital fund sector

The Portuguese Industry Confederation (Confederação da Indústria Portuguesa):

- ✓ acknowledged the reasons behind the decision not to extend the indirect SIFIDE II scheme and considered the implementation, in R&D, of the amounts not yet invested to be a priority
- ✓ welcomed the extension of deadlines and the openness to productive innovation, highlighting as shortcomings the lack of uniform reporting to management entities/ANI and of proportional regularisation mechanisms in the event of non-compliance
- ✓ regarding direct SIFIDE II, suggested greater predictability (an extension of no less than 5 years), greater speed and administrative guidance (decision-making deadlines, evidence guidelines and a standardised electronic communications platform between funds, companies, managers and public authorities) and greater transparency (annual report with financial implementation indicators, companies'

R&D intensity, sectoral productivity, participation in European programmes and the evolution of higher value-added exports)

- ✓ noted the importance of ensuring the qualified status of the benefit considering the OECD guidelines on global minimum tax (*Pillar Two*)
- ✓ welcomed the clarification of the calculation within tax groups, but warned of the increased complexity and control inherent in consolidating the tax bases of the two previous financial years for all group companies, suggesting the publication of practical examples and checklists for the tax file
- ✓ regarding the exclusion in co-financed projects, highlighted a lack of guidance and argued that the restriction should apply only to project expenditure funded by SIFIDE funds, whilst maintaining the deduction on the non-co-financed, non-repayable component

The Portuguese Securities and Exchange Commission (Comissão do Mercado e dos Valores Mobiliários):

- ✓ whilst supporting the proposal, emphasised the importance of venture capital instruments in promoting investment in R&D and considered that any alternatives to the indirect SIFIDE II scheme should incorporate the practical experience of the entities involved

The Portuguese Agency for Investment and Innovation (Agência para o Investimento e Inovação):

- ✓ was generally in favour of the proposal, but recommended a transitional rule that expressly maintains the 80% minimum threshold for investment of capital raised by SIFIDE Funds between 1 January 2021 and 31 December 2023
- ✓ also pointed out that the requirement for a minimum investment of 85% over five years (and its implementation in R&D) for all funds under the transitional regime tightens the conditions compared to the 2021–2023 contributions, where the 80% threshold applied

THE LEGISLATIVE PROCEDURE OF LAW NO. 13/2026: ON THE PROPOSED AMENDMENTS BY PARLIAMENTARY GROUPS

The following proposed amendments were tabled, clearly in line with some of the observations and recommendations made in the requested opinions:

- ✓ The extension of SIFIDE II until 2029 to safeguard predictability and legal certainty for investors and companies engaged in R&D activities. **[rejected]**
- ✓ The creation of a mechanism for allocating financial incentive in an amount corresponding to the tax benefit not used by taxpayers due to insufficient taxable income, to promote the effectiveness of the scheme, particularly for start-ups and scale-ups. **[rejected]**
- ✓ The non-extension of the application of SIFIDE II solely to the subscription of new units in SIFIDE Funds, whilst maintaining the possibility for SIFIDE Funds to receive and execute new investments. **[rejected]**
- ✓ The maintenance of the recognition of repute issued by the Portuguese Agency for Investment and Innovation, except for companies resulting from technology transfer processes created by collaborative laboratories, to mitigate the risk and the budgetary and administrative costs associated with a subsequent verification. **[approved]**
- ✓ The extension from three to seven years for SIFIDE Funds to make investments in companies that carry out such investments in R&D activities, and for those companies to make the respective investments, exclusively in cases where the investments are made as co-investments with non-SIFIDE private capital within the SIFIDE Funds themselves, in order to promote the quality of investment decisions. **[rejected]**
- ✓ The duty to prohibit double-financing only where expenditure relates to projects in which SIFIDE Funds invest, whilst SIFIDE II continues to apply to the non-co-financed portion. **[rejected]**
- ✓ The duty to ensure that the eligibility conditions for expenditure on productive innovation are harmonised with the framework applicable to other business investment incentive schemes. **[rejected]**
- ✓ The maintenance of the minimum percentage of 80% for contributions made between 1 January 2021 and 31 December 2023 to SIFIDE Funds. **[approved]**
- ✓ The duty to clarify that the use of SIFIDE II funds applies exclusively to investments made by companies undertaking the aforementioned R&D activities and for them to carry out their respective R&D investments, excluding the use through the subscription of units in investment funds, to prevent cascade investment through the subscription of units in other funds. **[approved]**

- ✓ The publication of an annual report containing indicators of financial implementation, companies' R&D intensity, sectoral productivity, participation in European programmes and trends in higher value-added exports. **[approved]**
- ✓ The replacement of the term 'investment fund' with 'collective investment undertaking', to expressly cover funds in corporate form. **[rejected]**
- ✓ The duty to ensure that SIFIDE II complies with the requirements to be a qualified tax incentive in relation to the global minimum tax. **[rejected]**
- ✓ The duty to clarify that certified public accountants cannot be held liable for the classification of expenditure as R&D or productive innovation. **[approved]**

THE LEGISLATIVE PROCEDURE OF LAW NO. 13/2026: THE FINAL VERSION OF THE DIPLOMA

Following the legislative procedure, on 6 March the law authorizing the Government to amend SIFIDE II in its direct form was approved, without extending the indirect SIFIDE II.

Regarding direct SIFIDE II, the Government was specifically authorised to legislate as follows:

- (i) the extension until the 2026 tax year
- (ii) the removal of the repute assessment by the Portuguese Agency for Investment and Innovation, solely for companies resulting from technology transfer processes created by collaborative laboratories
- (iii) the application of the incremental rate, the limit and the increase provided for, in the case of tax groups, to the accrual of the sum of the tax group' expenses
- (iv) the extension, from three to five years of the time limits for SIFIDE Funds to make investments in companies that carry out the aforementioned investments in R&D activities and for these companies to carry out the respective investments
- (v) the prohibition on corporate income tax (CIT) taxpayers benefiting from the deduction where relevant investments are made in the context of R&D activities financed, directly or indirectly, by SIFIDE Funds or through other public incentives
- (vi) the possibility of making investments through expenditure on productive innovation that is directly resulting from and functionally complementary to previously carried out R&D activities, with the eligibility conditions for expenditure on productive innovation, the maximum amounts per SIFIDE Fund and per company, and the applicable ancillary obligations being determined

- (vii) the publication of an annual report containing indicators on financial implementation, companies' R&D intensity, sectoral productivity, participation in European programmes and trends in higher value-added exports
- (viii) to clarify that the use of SIFIDE II funds applies exclusively to investments in companies that carry out the aforementioned investments in R&D activities, excluding the subscription of units in other funds as an eligible use; and that certified public accountants are not responsible for verifying that expenditure relates to R&D or productive innovation
- (ix) finally, the creation of an additional transitional regime is authorised for investments made between 1 January 2021 and 31 December 2023, to which the minimum investment percentage of 80% shall continue to apply

CONCLUSION

SIFIDE II has established itself as a key instrument for promoting innovation, economic growth and business competitiveness in Portugal. The widespread recognition of its importance is evidenced both by empirical results — which demonstrate positive and lasting impacts on employment, productivity, exports and returns to the State — and by the consensus among public entities, business associations and sector experts.

The commitment to the continuous improvement of the scheme is clearly undertaken by the Government, Parliament and the entities involved, as reflected in the decision to extend SIFIDE II until 2026, the introduction of mechanisms to simplify procedures, enhance transparency and strengthen oversight, and the intention to establish a working group dedicated to the evaluation and in-depth review of the scheme.

This approach aims to ensure that SIFIDE evolves in line with international best practices, responding to the emerging challenges of the innovation ecosystem and maintaining its attractiveness to investors and companies. It will therefore be of great interest to follow the work of this working group, with a view to the desired evolution of this tax incentive: a SIFIDE III that builds on the *status quo*, improves Portugal's visibility and attractiveness as an innovation and development ecosystem — whilst it is crucial that this tax policy instrument maintains predictability and stability, whilst adapting for the future, strengthening competitiveness and preparing for challenges such as the global minimum tax regime (Pillar 2).

In this context, it is essential that companies with R&D projects or investments in productive innovation are proactive in identifying the risks and opportunities arising from these changes, anticipating impacts on their tax planning and adjusting their investment strategies where necessary.

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