

IN 2 MINUTES

IRS exemption for employee profit shares

It's the beginning of the year again, which in turn means the end of another "cycle" in the life of companies. If for companies it's the end of another year, for employees who meet the requirements, it could be a good start to the new year.

The recent measure that came into force with the 2024 State Budget (OE) is the IRS exemption that will apply to attributed profit sharing by companies to employees.

In practice, will the measure be as advantageous and comprehensive as publicised?

Come and find out with us!

Can companies give any amount as a participation and the employee be exempt from IRS?

In order to benefit from this measure, remembering that the Social Security exemption already existed before this measure came into force, it is important to bear in mind that the IRS exemption has the following limits:

1. An employee's basic salary;
2. €4,100.00 for cases where the basic salary exceeds this amount (e.g. if the basic salary is €5,000.00, the employee, although they may receive a share of €5,000.00, will have to withhold the excess €900.00).

What are the requirements?

The company has to increase the basic salary of all the company's employees by at least 5 per cent, regardless of the date of hiring and firing (the increase in the minimum wage in 2024 is admissible for the calculation).

The employee doesn't have to worry about anything else?

It should be noted that although these contributions are exempt from IRS, they will **have to be declared in Annex H, where they will be taken into account when determining the IRS rate to be applied to other income.**

For the purposes of net monthly income, we have prepared the following **case study**:

The company Participação, Lda. attributed profit shares in 2024 to its employees, given the positive result obtained in 2023.

The nominal increase in employees fixed remuneration was over 5%.

André, an employee of the company Participação, was enthusiastic about the idea and was keen to realise the difference he would receive in his net salary.

To do this, he shared his payslip, which has a base of €1,200.00 and he usually receives €1,233.00 net. The attributed profit share was €1,000.00.

Designation	Amount Allowances
Base salary	1200,00
Christmas allowance	100,00
Holiday allowance	100,00
Daily food allowance	132,00
Profit sharing	1000,00

In the **previous scenario**, André's receipt would look like this:



Social Tax	IRS	Net
154,00	440,00	1938,00

In the **current scenario**, André's receipt looks like this:



Social Tax	IRS	Net
154,00	145,00	2233,00

The company Participação, Lda fulfils the fundamental condition for exemption from this type of accessory remuneration, with a fixed nominal valuation of at least 5% for all employees.

André, who is single and has no dependents, has a net monthly salary of €1,233.00.

With the profit share of €1,000.00 in the previous scenario, you would receive €1,938.00 because the €1,000.00 was added to your other income for the month and increased your IRS bracket.

With the entry into force of the State Budget 2024, the employee will receive the full €1,000.00, which translates into a net monthly amount of €2,233.00, or €295.00 more.

So for this year, if you fall into this situation, you are already prepared for the procedures.

If you have any questions, please contact us.

For previously published content, you can access our website at:

<https://www.rosabarreto.pt/contents>

Note: This information is only of general nature, its reading does not exempt the consultation of the legislation in force. In case of any discrepancy between the version in English and the version in Portuguese, the later shall prevail.