



BALANCE SHEET BONUSES

Tax Implications 2024

When approving the accounts of commercial companies, the shareholders can allocate part of the profits for the financial year to balance sheet bonuses to employees.

Balance sheet bonuses are a way of distributing part of the profits generated by the company to employees (including managers), based on the company's results for a given financial year.

FRAMEWORK - CORPORATE INCOME TAX

Balance sheet bonuses are recognized as an expense in the year in which they were generated and accepted for tax purposes, although they are only paid and processed on the respective pay slip in the year following the one in which they were generated.

Balance sheet bonuses must be paid to employees by the end of the financial year following the one to which they relate, otherwise they will not be considered a tax-deductible expense.

FRAMEWORK - PERSONAL INCOME TAX

Balance sheet bonuses are considered to be income from dependent work - category A income, and as a general rule the employer must withhold tax on account of the personal income tax due at the time of payment.

We must mention that the State Budget for 2024 introduced a personal income tax exemption for the payment of balance sheet bonuses when they are paid by employers who have promoted a

nominal increase in the fixed remuneration of their employees in 2024, equal to or greater than 5%.

This exemption also has a maximum limit, i.e., it only applies up to the value of a fixed monthly salary, with a maximum limit of €4,100.00.

The amount paid as balance sheet bonuses must be included with other income to determine the progressive income tax rate applicable.

FRAMEWORK - SOCIAL SECURITY

As far as the social security framework is concerned, the payment of balance sheet bonuses to employees is covered by the contribution base.

However, the rule that stipulates that bonuses are subject to the payment of social security contributions has not yet been regulated, which means that, until it is, bonuses paid to employees are not subject to the payment of social security contributions.

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