



## YOUTH PERSONAL INCOME TAX A POSITIVE OR NEGATIVE CHANGE?

In the first week of 2025, the State Budget for 2025 came into force, with the main goals of recovering the State's social functions, boosting competitiveness and economic growth and reducing the tax burden.

### WHO CAN BENEFIT FROM THE YOUTH PERSONAL INCOME TAX?

The youth personal income tax, created to make it easier for young people to enter the job market, but also to attract talent to Portugal, has had its conditions extended, and is now extended to young people up to the age of 35 (an increase of

5 years compared to the previous 30 years) regardless of whether they have finished their studies or not, with the only requirement being that they are not dependents, i.e. they do not belong to their parents' household, even if they have the same tax residence.

### DOES THE YOUTH PERSONAL INCOME TAX ACCUMULATES WITH OTHER REGIMES?

The benefit cannot be accumulated with other more favorable regimes, such as that for non-habitual residents, the Return Program, or the tax incentive for science and innovation.

## HOW DOES IT WORK?

The exemption is 100% in the first year of income and decreases proportionally until the tenth year of income (compared to the previous 5 years).

Application of the scheme is not continuous if there is no income in certain years; it allows the benefit to be suspended until it is resumed.

In practice, to take advantage of this measure, the young person must request in their annual tax return that they wish to benefit from the scheme in Article 12-B of the IRS Code.

## FINAL NOTE

This new youth personal income tax regime is not free from scrutiny, and its constitutionality has been questioned, due

to doubts related to discrimination against people over the age of 35.

More than that, its suitability for the proposed purpose is also questioned, and the main problem does not seem to be the IRS rate to which young people are subject, but rather the low salaries in Portugal, compared to the European average.

It should also be noted that self-employed workers will only be able to benefit from this scheme in 2026, after a full year's deduction, which is a point of tension in relation to employees. The law thus seems to present a “legislative void” about these workers.

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