



Municipal Business Projects



Preamble

The principle of local autonomy, as enshrined in Article 6 of the Portuguese Republic Constitution, requires that municipalities have financial autonomy, which is developed in the Local Finance Law (Law no. 73/2013, of 3 September) and includes, in addition to the existence of own revenues, the granting of taxing powers over taxes of local nature.

The tax powers granted to Municipalities include the power to grant tax benefits regarding municipal taxes (IMI and IMT), that is, the possibility to grant tax relief to achieve extra-fiscal objectives, which are recognized as being of relevant public interest, a power that is generically established in article 8 of the General Regime of Local Authority Rates (RGTL) and in article 16(2) of the Local Finance Law.

The concession of tax benefits is, admittedly, an essential tool for introducing incentives to the economy and encouraging economic growth, so it can be used, at local level, to enable investment to be established in the municipality and, in this way, contribute to the economic and social development of the municipality.

With this in mind, the Town Council considers it essential to pursue a policy of granting tax benefits to those wishing to develop projects that pursue aims of recognised municipal interest, with a view to making relevant investments that enable the leverage of the local economy and job creation.

In order to guarantee its transparency, and also due to the need to inform potential interested parties, the Municipality intends to approve the present regulation, which sets out the conditions, criteria and assumptions on which the classification as a project of municipal interest (PIM) depends and the concomitant concession of fiscal benefits in the scope of municipal taxes and rates.

The draft of this Regulation was approved at the meeting of the Municipal Council of Lousada held on 10 November 2014. The provisions of article 118 of the Code of Administrative Procedure were complied with, and no suggestions were made during the public appraisal for the collection of suggestions during 30 days.

This Regulation had final approval at the meeting of this Municipal Council on 10 November 2014 and at the Municipal Assembly session on 27 February 2015.

Article 1

Enabling standard

These regulations are made under the regulatory power provided for in Article 241 of the Constitution of the Portuguese Republic and under the competence provided for in Article 16(2) of the Local Finance Law and Article 8 of the General Framework of Local Authorities' Fees, in conjunction with the provisions of paragraphs c) and g) of Article 25(1) of Law 75/2013, of 12 September.

Article 2

Object

The present regulation aims to define the conditions of access, criteria and assumptions for recognition of the status of "Projects of Municipal Interest - PIM", as well as the respective associated tax benefits.

Article 3

Application

1. Investment incentives in projects of municipal interest (PIM) consist of the granting of tax benefits in municipal taxes and fees and apply to investment projects that comply with the eligibility conditions set out in this Regulation.
2. The investment projects referred to in the preceding number cover all sectors of economic activity.

Article 4

Associated tax benefits

Projects of Municipal Interest (PIM) can be recognised to:

- a) Total or partial exemption from the fees provided for in the Regulation on the Assessment and Collection of Fees and Other Municipal Revenue, due for the approval of urban construction operations and respective use, necessary for the activity foreseen in the investment project;
- b) Total or partial exemption from payment of Municipal Property Transfer Tax (IMT), regarding real estate acquired by the beneficiary entity for the activity foreseen in the investment project;

- c) Total or partial exemption from the payment of the Municipal Property Tax (IMI), for a period not exceeding five years, regarding real estate owned by the beneficiary entity, used in the activity foreseen in the investment project.

Article 5

Conditions for eligibility

1. The promoting entity must, at the date of submission of the application to the PIM, meet the following conditions of access, under penalty of exclusion:

- a) To be legally constituted and comply with the legal conditions necessary for the exercise of its activity;
- b) To be in good standing with the tax authorities, Social Security and the Municipality of Lousada;
- c) To have an organised accounting system;
- d) To undertake to keep the investment to be made, as well as to maintain the geographical location, for a minimum period of ten years, starting from the date when the investment is fully implemented;
- e) The investment project must reach a minimum investment amount of €50,000.00;
- f) The investment project must involve the creation of at least 10 new jobs.

2. Investment projects whose implementation has started prior to the application approval date shall not be considered eligible, neither shall expenses incurred with such investment project prior to the application submission date be considered eligible.

Article 6

The application

1. The application shall be submitted through the appropriate form, filled in for the purpose, accompanied by all the instructive elements referred to in the previous article.

2. The promoter must submit together with the application form:

- a) A business plan and respective supporting accounting documents that enable the analysis of the structure of the investment project and its sustainability and economic and financial autonomy
- b) The identification of the facts or acts in respect of which it intends to grant tax benefits referred to in Article 4.

3. The Municipality, through the competent municipal services, shall assess and analyse the investment project with a view to granting the tax benefits set out in Article 4.

4. The Municipality may, during the application appraisal stage, request the promoters to provide clarifications or additional documents, which shall be submitted within ten days, under penalty of the application being preliminarily shelved.

5. The final decision on the application shall indicate the tax benefits to be granted, in accordance with the criteria established in the following article, the respective percentages and concession periods.

Article 7

Criteria for determining the tax benefits to be granted

1. The installation of business initiatives in the Lustosa Business Enclosure Zone or in other municipal business enclosure zones, within the scope of the process for the disposal of plots promoted by the Municipality, shall benefit from total exemption from rates, IMT and IMI, under the terms set out in article 4, provided they comply with the eligibility conditions set out in article 5.

2. In the remaining cases, the tax benefits to be granted to projects of municipal interest - PIM are attributed according to the following factors and respective weighting:

a) Number of net jobs to be created (60%):

- i. 100 jobs or more - (100%) - 60% reduction;
- ii. 80 jobs or more and less than 100 jobs - (80%) - 48% reduction;
- iii. 60 jobs or more and less than 80 jobs - (60%) - 36% reduction;
- iv. 40 jobs or more and less than 60 jobs - (40%) - reduction of 24%;
- v. 20 jobs or more and less than 40 jobs - (20%) - 12% reduction;
- vi. 10 jobs or more and less than 20 jobs - (10%) - reduction of 6%.

b) Investment to be made (30%):

- i. 1,000,000- (100%) - 30% reduction;
- ii. Equal to or greater than EUR 750,000 and less than EUR 1,000,000 - (75%) - a reduction of 22.5%;
- iii. 500.000 euros or more and less than 750.000 euros - (50%) - 15% reduction;

- iv. Equal to or greater than €250,000 and less than €500,000 - (25%) - a reduction of 7.5%;
- v. Equal to or greater than €50,000 and less than €250,000 - (15%) - reduction of 4.5%.

c) Location of head office and tax residence in the municipality of Lousada - (10%) - a 10% reduction.

3. An increase of 10% (up to 100%) will be attributed to the tax benefit to be granted, provided that the investment project has a significant impact in two of the following areas

- a) Projects with a strong research and development (R&D) component or cooperation with entities linked to scientific and technological research;
- b) Induce spill-over effects in upstream and downstream activities, particularly in small and medium-sized enterprises;
- c) Development of projects in the field of environmental protection and renewable energy sources;
- d) Development of projects in the area of tourism with interest for the qualification of the municipality's tourist offer;

4. The tax benefit shall be determined according to the sum of the classifications obtained by applying the criteria set forth in the preceding numbers.

Article 8

Decision

1. It is incumbent upon the Municipal Assembly, upon proposal by the Municipality, by means of a grounded resolution, to grant the status of "Project of Municipal Interest" and to determine the tax benefits associated to it under the terms of the provisions of Article 4 of these Regulations.

2. The deliberation by the Municipal Assembly must include an estimate of the tax expenditure associated to the benefits granted.

Article 9

Contract

1. The granting of tax benefits is subject to the execution of a contract between the project promoter and the Municipality, which will set out the benefits granted, the conditions for granting the exemption and its duration.

2. The contract granting the tax benefits shall be awarded within 180 days from the date of notification of the granting of the status of "Project of Municipal Interest" to the project promoter.
3. On the date of the signing of the contract, the necessary certificates for the instruction of the application for the granting of benefits with the Tax Authority will be issued.

Article 10

Renegotiation of the contract

1. The contract may be subject to renegotiation at the request of either party should any event occur that substantially changes the circumstances on which the parties based their desire to contract.
2. The amendments to the contract which do not result in an increase of the benefits or the intensity of the support are approved by means of a resolution of the Town Council.

Article 11

Termination of the contract

1. The contract resolution is declared by the City Hall, after previous hearing the interested parties, in the following cases:
 - a) Non-compliance with the objectives and obligations established in the contract, within the time limits set forth therein, due to an act attributable to the promoting company;
 - b) Non-compliance with tax and contributory obligations by the promoting company on time;
 - c) Providing false information on the company's situation or falsifying data provided in the submission, assessment and monitoring of projects.

Article 12

Effects of contract termination

1. The termination of the agreement, under the terms of the previous article, implies the total loss of the tax benefits granted since the date of its approval, and also the obligation to pay, within 30 days of the respective notification, and regardless of the time that has elapsed since the date of the verification of the respective taxable events, the amounts corresponding to the uncollected tax revenues, plus compensatory interest, under the terms of article 35 of the General Tax Law.

2. The non-payment within the period referred to in the previous number implies its forced collection through the tax execution procedure.

Article 13

Supervision and follow-up

1. The Municipality shall be responsible for the monitoring and verification of the promoters' compliance with the contracts signed under the provisions of this Regulation, through a project manager appointed for that purpose.
2. The project manager will be responsible for following the project's procedural steps, also ensuring the articulation with other public entities involved in the procedure.
3. The project manager will also be responsible for verifying the fulfilment of the objectives established in the contract, through the preparation of a half-yearly report on the execution of the objectives and goals contracted between the parties, to be submitted for approval by the Municipality.
4. The confirmation of the number of jobs created will be done through the delivery of the staff map sent to the Social Security.
5. The investment promoter must submit all the documents necessary for monitoring the execution of the contract that may be requested for that purpose.

Article 14

This Regulation shall come into force 15 days after its publication, under the terms of the law.