

**TAX**

Recovery of tax benefits in the Madeira Free Trade Zone

Following the European Commission's decision which concluded that the application of the aid scheme in the Madeira Free Trade Zone (MFTZ) was in breach of European rules on state aid, the Portuguese Tax and Customs Authority (*Autoridade Tributária e Aduaneira* – AT) has begun procedures to recover tax benefits allegedly unduly granted to companies in the region.

The special scheme applicable to entities licensed in the MFTZ provided for aid in the form, among others, of a reduction in corporate income tax (*Imposto sobre o Rendimento das Pessoas Coletivas* – IRC) on profits from activities in the MFTZ to attract investment and boost job creation.

However, the Commission's investigation found that the tax reductions were applied to companies alleged not to have contributed to the development of the region, including in relation to jobs created.

The AT has provided the European Commission with a forecast for the recovery of the aid that had been granted in breach of European rules. It has already begun to implement this decision by notifying some companies of the need to recover the amount of aid and issuing the corresponding additional corporate income tax assessments.

This matter has very specific characteristics and the corrections in question are complex. Therefore, it will be crucial to monitor all the litigation surrounding this issue in a timely and focused way, in order to safeguard the interests of taxpayers and to deal with any tax impacts that may result. ■

Recovery of tax benefits in the Madeira Free Trade Zone (MFTZ). Issuance of additional Corporate Income Tax (IRC) assessments by the Tax Authority (AT).

Tax team