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**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

**Schedule II**

**Potential benefits for the project**

**Azores ISLP:  
Azores International Satellite Launch Programme**

Descriptive Memory of the Competitive Dialogue for the Construction, Operation and Exploitation of  
a Spaceport enabling a new generation of launch services, located in the island of Santa Maria,  
Azores

**Launched by**

**The Regional Government of Azores**

**With the technical assistance of the Portuguese Space Agency, PORTUGAL SPACE, in coordination  
with the technical support of the European Space Agency**

March 2019



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**The Portuguese Space Agency, PORTUGAL SPACE, provides technical assistance to the  
Azores ISLP including this Competitive Dialogue**

**In coordination with the technical support of the European Space Agency**

**A High-Level Committee will act as promoter of this Competitive Dialogue, fostering the  
project and the participation of undertakings in the procedure**



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
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Schedule II

Potential benefits for the project

I.	Nature of the information provided in this Schedule .....	3
II.	Spaceport grounds and access infrastructures .....	3
III.	Business Incentives.....	3
III.1.	Attractive tax regime.....	4
III.2.	Incentives for the creation of the Spaceport and for investments in satellite launch services .....	5
III.3.	Tax Benefits .....	7
II.	The role of Portugal as a customer of launch services .....	11

**I. Nature of the information provided in this Schedule**

The Regional Government of the Autonomous Region of the Azores hereby provides to the Candidates information on the following aspects which may contribute to ensure the viability of the Spaceport.

Save as in the case of Section II below, the indications contained in this Schedule are provided for information purposes only, and does not constitute any undertaking or commitment by the Contracting Authority.

**II. Spaceport grounds and access infrastructures**

The Contracting Authority makes available the grounds / terrain, “as is”, externally fenced, for the installation of the Spaceport, as well as ancillary infrastructures required for purposes of construction and operation of the Spaceport, for a duration equal to the contract entered into with the successful Tenderer.

**III. Business Incentives**

In this item, the Contracting Authority wishes to disclose an overview of the type of incentives currently in place from which the economic operators could benefit from.



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

**III.1. Attractive tax regime**

The Azores have the lowest Corporate Income Tax rate (CIT) in Portugal, the second lowest Value Added Tax rate (VAT) in the European Union and the lowest Personal Income Tax (PIT) in the country.

A more detailed description of each of these taxes is given below.

**i. Personal Income Tax (PIT)**

PIT is levied on income obtained by individuals, under six different categories, and its taxation depends on the individual's tax status (resident or non-resident). As in most States, residents are taxed on a worldwide basis and non-residents are only taxed on income from a Portuguese source.

In relation to what happens in the mainland, the Azores have a maximum PIT rate that is lower by 10% (from 48% to 38%).

**ii. Corporate Income Tax (CIT)**

The main differences from the regime applicable to entities located in the mainland are the applicable rates:

- For resident entities and permanent establishment of non-resident entities the applicable rate is 16,8% (in the mainland it is 21%).
- For resident entities and permanent establishment of non-resident entities, certified as small or medium companies the applicable rate for the first € 15,000 of taxable income is 13,6% (in the mainland is 17%). For the remaining taxable income, the applicable rate is 16,8% (in the mainland is 21%).

There is also a State Surcharge (Regional, in case of Autonomous Regions) due by Portuguese resident entities and by Portuguese permanent establishments of non-resident entities.

**iii. VAT**

The following transactions are subject to VAT:

- Supplies of goods and supplies of services for consideration;
- Importation of goods; and



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

- Intra-Community acquisitions of goods.

The VAT is structured according to 3 types of rates (standard, intermediate and reduced), applying in the mainland at the rates of 23%, 13% and 6%. By contrast, in the Azores, these rates are reduced to 18% (standard), 9% (intermediate) and reduced (4%).

### **III.2. Incentives for the creation of the Spaceport and for investments in satellite launch services**

The activities developed in Portugal (including the Autonomous Region of the Azores) are covered by one of the most comprehensive business incentives systems in the European Union.

Candidates, as well as any economic operator in general, may apply to the following incentives/benefits:

#### **i. Subsystem of Incentives for the Promotion of the Economic Export Base**

This subsystem grants support to investment projects targeting markets outside the Azores, which result in the production of marketable services. This subsystem is specifically foreseen in the Regional Government Decree nr. 19/2014/A, of September 22<sup>nd</sup>, republished by the Regional Government Decree nr. 2/2018/A, of January 16<sup>th</sup>.

Eligible expenses include construction works, the acquisition of machinery and the acquisition of scientific and technical equipment, amongst several other eligible expenses.

Bids approved for projects on the Island of Santa Maria receive a non-refundable incentive of 40% of eligible expenses, plus a refundable, interest-free, incentive of 25%.

The term of the refundable incentive financing is ten years, in which the first four years are for capital shortage, counted from the date of the first incentive payment, being twelve years, in which the first four years are for lack of capital, related to projects with eligible expenses exceeding EUR 2 million.

An achievement award may be granted upon project cruise year assessment, based on the level of achievement of results (subject to job creation and economic productivity metrics), which consists in the conversion of the refundable incentive into a non-refundable incentive, up to the amount of the refundable incentive itself.

The non-refundable rate could also be increased by:



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

- 2.5% if the project includes eligible investments in energy efficiency, and that correspond at least to 5% of total eligible expenses; and
- 5%, if the relevant project is classified as a project of regional interest (PIR) in accordance with the specific criteria for such classification.

The maximum amount of aid granted by way of non-refundable incentives is EUR 5 million, plus EUR 5 million by way of refundable incentives, per project.

The previous cap of EUR 5 million applicable to the non-refundable incentive does not apply in case of projects with a total investment higher than EUR 15 million and less than EUR 50 million, as financial support may be awarded to these projects in the form of non-refundable incentive, under the 45% of the eligible expenses, provided that at least one hundred and twenty jobs are created, in which at least half of this jobs are, necessarily, fixed-term employment contracts, with a minimum period of two years, or without term, as well as kept allocated to the investment project for a minimum period of five years.

Aid intensity, in gross grant equivalent, shall not exceed 65% for small enterprises, 55% for medium-sized enterprises, or 45% for non-SME.

For further information, namely regarding eligible expenses, access conditions for the applicants and for the projects, selection criteria, as well as submission and analysis processes of the bids/applications, and to confirm all the applicable provisions regarding this subsystem of incentives, please consult the Regional Government Decree nr. 19/2014/A, of September 22<sup>nd</sup>, republished by the Regional Government Decree nr. 2/2018/A, of January 16<sup>th</sup>.

**ii. Subsystem of Incentives for Qualification and Innovation**

Projects specifically targeting productive innovation or development of quality systems, with maximum investment amounts ranging between EUR 15,000.00 and EUR 500,000.00 can be supported under this subsystem. This subsystem is specifically foreseen in the Regional Government Decree nr. 16/2014/A, of September 17<sup>th</sup>, republished by the Regional Government Decree nr. 2/2018/A, of January 16<sup>th</sup>.

Relevant eligible expenses include technology transfer costs (patent rights, licenses, know-how or unpatented technical know-how), technical, scientific and consulting



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

services, and the implementation and certification of management systems, as well as the acquisition of scientific and technical equipment, amongst others.

Bids approved for projects on the island of Santa Maria receive a non-refundable incentive of 50% of eligible expenses.

An achievement award may be granted upon completion of the investment project, corresponding to 3% of eligible expenses for each qualified job created, up to a maximum of 15%.

Aid intensity, in gross grant equivalent, shall not exceed 65% for small enterprises, 55% for medium-sized enterprises, or 45% for non-SME.

For further information, namely regarding eligible expenses, investment typology, access conditions for the applicants and for the projects, selection criteria, as well as submission and analysis process of the bids/applications, and to confirm all the applicable provisions regarding this subsystem of incentives, please consult the Regional Government Decree nr. 16/2014/A, of September 17<sup>th</sup>, republished by the Regional Government Decree nr. 2/2018/A, of January 16<sup>th</sup>.

### **III.3. Tax Benefits**

In terms of tax benefits, the Contracting Authority mentions here the ones exclusively applicable in the Azores and then those that apply throughout the mainland, but which could be relevant to the project.

#### **i. Azores – Contractual Tax Benefits**

There is a special Contractual Tax Benefits system for companies investing in Projects of Regional Interest (PRI) to the Azores.

These projects must involve investments values over:

- € 2,000,000 in São Miguel;
- € 1,000,000 in Terceira;
- € 400,000 in Santa Maria, Graciosa, São Jorge, Pico, Faial, Flores and Corvo;



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

- € 200,000 in case of investment projects in Marine Biotechnology and/or Aquaculture, regardless of their location, with more than 10% investment expenses on R&D.

Tax benefits may take the following forms:

- Special Corporate Income Tax deductions up to 90% of tax collection;
- Exemption or reduction of the Municipal Property Tax; and
- Exemption or reduction of the Municipal Property Transfer Tax.

**ii. Tax benefits for the Reinvestment of Retained Earnings (DLRR)**

The reinvestment of retained earnings is a tax incentive to micro, small and medium-sized companies that allows a CIT deduction of 10% of the retained and reinvested earnings used for the acquisition of relevant applications.

Reinvestment should be made within three years, computed as from the end of the tax year in which the earnings are realized. The annual deduction is capped at 25% of the CIT due, with a maximum annual deductible amount of € 10,000,000.

**iii. Special Tax Regime to Support Investments (RFAI)**

RFAI applies to relevant investments made on fixed tangible and intangible assets. A CIT credit is granted according to the eligible region in which investments are made, as follows:

In the case of investments made in the Autonomous Region of the Azores:

- For investments up to € 15,000,000, a deduction of 25% of the relevant applications is granted;
- For investments exceeding € 15,000,000 (in the exceeding part of that amount), a 10% deduction of relevant applications is granted;
- In the case of investments in the eligible regions of Algarve, Lisbon and Setubal, a deduction of 10% of the relevant applications is granted.

The abovementioned € 15,000,000 limit is applicable to tax periods starting on or after 1 January 2019, whereas the previous limit, since 1 January 2017, stood at € 10,000,000.





**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

The mentioned deductions are limited to 50% of the CIT assessed in each tax period, except in the tax year of the beginning of activity and the next two tax years (since the company does not result from a demerger operation). Any unused credit may be carried forward for ten years (provided the mentioned limit is not exceeded).

Additionally, exemptions or reductions from Property Tax (IMI), Property Transfer Tax (IMT) and exemptions of Stamp Duty (SD) may apply on the acquisition of real estate which qualifies as relevant applications.

RFAI cannot be combined with any tax benefits of the same contractual nature in respect of such relevant applications, except for the tax benefit for the reinvestment of retained earnings, provided that the applicable limits are not exceeded.

**iv. R&D – Incentive regime for research and development (SIFIDE II)**

A tax credit is available, under certain conditions, for R&D expenses, in the following percentages:

- 32.5% of expenses incurred during the tax year; or
- 50% of the surplus of expenses incurred in the tax year over the average of the two previous tax years, capped at € 1,500,000.

The percentage referred in (i) above is increased by 15% in case of micro, small and medium companies that do not benefit from the 50% surplus mentioned in (ii) above, due to not having completed two years of activity yet.

Companies should obtain a statement issued by the National Innovation Agency (“*Agência Nacional de Inovação*”).

**v. Tax regime of patronage - scientific patronage**

Donations granted to certain entities whose main activity consists in the execution of initiatives in the scientific areas are considered as cost for tax purposes (CIT and PIT). In addition, if certain requirements are met, these costs may still be increased (i.e., be considered up to an amount of 140%).



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

The entities (patrons) who wish these benefits can make their donations to entities such as: Universities, R&D Units, Technological Centres and companies that carry out actions to demonstrate I&D results and technological development.

**vi. Non-habitual Tax Resident Regime**

The Non-habitual Tax Residents regime (“NHR”) foresees a very attractive tax regime applicable to individuals transferring their tax residence to Portugal.

The NHR is one of the most competitive European regimes, due to the following key-features:

- No deemed taxation/ “lump-sum” taxation;
- No limitation on the remittance of funds;
- No wealth tax and no gift/inheritance tax on funds or assets transferred to spouses, ascendants (e.g. parents) or descendants (e.g. children).

Moreover, this regime applies free of charge and is granted for a period of 10 years.

To qualify as a tax resident under Portuguese domestic rules, an individual is required to:

- Spend more than 183 days in Portuguese territory (on a 12 months’ period); or
- Own a dwelling that qualifies as a habitual residence in Portuguese territory (regardless of the number of days effectively spent in Portugal).

The benefits provided in the NHR range from a full exemption on certain types of income and a reduced flat tax rate of 20% to other types of income.

- Foreign-source income: (i) passive income derived outside Portugal (e.g. dividends, interest, pensions and rental income) are fully exempt in Portugal and this exemption applies irrespective of the taxation applicable at source (i.e. it is possible to achieve double non-taxation); (ii) active income, including income from employment and self-employment (derived in connection with “high value-added activities”) may also be fully exempt provided specific conditions are met. The activities qualified as “high value added” are identified in a statutory shortlist and include software developers, scholars, researchers, tax advisors, senior company personnel and, in certain cases, board members such as CEOs and CFOs.



**REGIÃO AUTÓNOMA DOS AÇORES**  
**Secretaria Regional do Mar, Ciência e Tecnologia**  
Direção Regional da Ciência e Tecnologia

- Portuguese-source income: active income derived in Portugal in connection with “high value-added activities” are subject to a flat rate of 20% (instead of the general progressive tax rates).

**II. The role of Portugal as a customer of launch services**

The “Portugal Space 2030” Strategy considers Portugal a customer of satellite launch services in association with the development of a new series of small satellite constellations to be developed with national institutions and private entities in close international cooperation. The “Portugal Space 2030” addresses the launch of a new series of small satellite constellations, to be developed with the Atlantic International Research Center – AIR Centre and other national institutions for meteorological, environmental, urban, biodiversity and security.