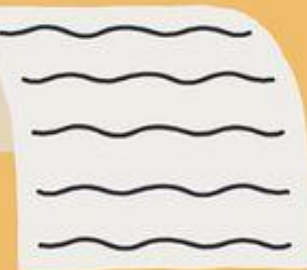


# Bindnews



IRS  
JOVEM



## The Practical Application of “IRS Jovem”

**Bind**

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The “IRS Jovem” regime is a tax benefit designed for young individuals in the early years of their professional careers, allowing them to enjoy a partial exemption on employment income classified under categories A (dependent work) and B (self-employment).

This exemption is provided for in Article 12-B of the Personal Income Tax Code (IRS Code) and consists of a gradually decreasing tax reduction over the first ten years of earning income, provided that the applicable legal requirements are met.

Under the current regime, the IRS exemption is granted as follows:

- 100% for income earned in the first year;
- 75% for income earned in the second, third, and fourth years;
- 50% for income earned in the fifth, sixth, and seventh years;
- 25% for income earned in the eighth, ninth, and tenth years.

However, to benefit from this measure, the young individual must cumulatively meet the following requirements:

- Be 35 years old or younger, as of December 31 of the year in which the income is earned;
- Earn income from dependent work and/or self-employment (categories A and B of IRS);
- Be a taxpayer, without being considered a dependent for tax purposes.

Ultimately, ‘IRS Jovem’ serves as an important incentive for young people entering the job market, enabling reduced taxation during the initial years of their professional careers and contributing to greater financial stability at the start of their working life.

### But how does “IRS Jovem” work in practice?

Under the current legal framework, the exemption period starts in the first year the young individual earns taxable income as a taxpayer, provided they have not yet exceeded the maximum age of 35 years.

However, this period may not be continuous and can be interrupted in certain cases, as we will see below.

## REAL-LIFE EXAMPLES

In order to simplify the understanding of the new regime, we prepared a set of practical cases that illustrate its specificities:

**Practical Case 1:** If a young person starts working in 2025 at the age of 26 and benefits from the “IRS Jovem” in the following years, but becomes unemployed in 2026, that year will not be counted for the purpose of the benefit. Thus, when he re-enters the job market in 2027, that year will be considered only the second year in which he earns taxable income, not the third.

However, since the regime only applies until the age of 35, once the young person turns 36 before completing the ten years of exemption, he loses the right to the benefit for the remaining years.

**In summary:** The years in which the young person does not earn taxable income are not counted for the purposes of “IRS Jovem”, but the benefit can only be used until the age of 35.

**Practical Case 2:** If a young person starts working in 2025 at the age of 26 and benefits from “IRS Jovem” in the following years but holds the status of a research grant recipient in 2028, 2029, and 2030, those years will not be counted for exemption purposes.

Therefore, upon returning to the job market in 2031, he will benefit from a 75% exemption, corresponding to the fourth year of taxable income.

**In summary:** Grants awarded under the Research Grant Holder Statute do not constitute income under categories A or B, unless the grant implies a legal subordination relationship.

**Practical Case 3:** If a young person starts working in 2025 at the age of 26 but was exempt from submitting an IRS income tax return that year, the year 2025 will not be counted for exemption purposes.

Consequently, if in 2026 the young person meets the requirements for “IRS Jovem”,

## REAL-LIFE EXAMPLES

he will benefit from a 100% exemption, corresponding to the first year of taxable income.

**In summary:** The years in which, under Article 58 of the IRS Code, the young person earned income under category A but did not submit any IRS income tax return (“Modelo 3”) due to being exempt from doing so, will not be counted.

**Practical Case 4:** If a young person began their professional activity in 2022 and benefited from the previous “IRS Jovem” regime in the years 2022, 2023, and 2024, these three years will be counted within the maximum ten-year period during which they can benefit from partial exemption.

In other words, even if the exemption percentages between 2022 and 2024 were different from those provided for in the current regime, these years are neither reinstated nor disregarded — they are fully counted for the calculation of the total benefit.

**In summary:** The years in which the young person benefited from the previous “IRS Jovem” regime count toward the maximum ten-year period, even if the exemption percentages were different.

### Additional information:

Beyond what has been stated here, it is also important to note that access to this regime is granted through an express option in the annual income tax return for IRS purposes.

It is the responsibility of the young worker to inform his employer of his intention to benefit from the “IRS Jovem” regime, in accordance with Article 99.º-F (5) of the IRS Code, indicating the year in which the relevant income was obtained for determining the exemption percentage set in Article 12.º-B (5) of the same Code.

This communication is required under Article 99.º (2) of the IRS Code. There is no predefined official model for this purpose, and it may, for example, be carried out via email.

## THE IRS JOVEM FOR WORKERS WITH INCOME UNDER CATEGORY B

Under Article 12.º-B of the IRS Code, taxpayers earning income classified under Category B are also eligible for the “IRS Jovem” regime.

However, unlike employees (Category A), these taxpayers cannot benefit from a reduced withholding tax throughout the year. Thus, self-employed workers must apply the usual withholding tax on invoices issued during 2025, with the corresponding adjustment being made only in 2026, when the income tax return is submitted and the tax is settled accordingly.

The President of the Order of Certified Accountants (OCC) clarified that this situation arises due to the lack of specific legal provisions for such cases and the inability of the Tax Authority’s online portal to accommodate this particularity.

In fact, the current legislation does not provide for a reduction in withholding tax for income under Category B, resulting in a disparity compared to Category A.

The inability to apply the reduced withholding tax for taxpayers earning income classified under Category B under the “IRS Jovem” regime creates a distinction from employees, which may not fully align with the regime’s intended purpose.

As this mechanism is designed to ease young people's tax burden and facilitate the management of their ongoing expenses, requiring full withholding tax payments throughout the year — while only granting refunds upon final tax settlement — ultimately reduces the immediate effectiveness of the benefit for those earning income under Category B.

This situation requires greater financial planning from these taxpayers, as they do not benefit from the same monthly liquidity as employees, even though both are covered by the same tax incentive regime.

## In summary:

The “IRS Jovem” regime represents a significant step forward in reducing the tax burden on young people at the start of their careers, promoting their financial independence and facilitating their integration into the labor market. Through partial income tax exemption, this mechanism helps alleviate immediate living expenses and encourages young talent to remain in the country.

However, its application is uneven across different types of income, particularly concerning taxpayers earning income classified under Category B who, despite being equally eligible, cannot benefit from a reduced withholding tax throughout the year.

This limitation undermines the effectiveness of the regime for those earning income under Category B, requiring greater financial planning and delaying the tax benefit until the annual tax settlement.

Thus, while “IRS Jovem” is a positive measure, it is essential to continue refining it to ensure that its impact is equitable and aligned with the objectives of supporting young people and promoting the financial stability of young workers, regardless of their employment status.



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