



**LILLY FAMILY
SCHOOL OF PHILANTHROPY**
INDIANA UNIVERSITY

The 2025 Global Philanthropy Environment Index Portugal

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Edited by the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Foundation, Cooperative, NGO, Private Institution of Social Solidarity(IPSS), Association with altruistic purposes, Foundation, Charity, Mutualist Association, Social enterprises

Five main social issues addressed by these organizations: Animals, Basic Needs, Environment, Youth and Family.

Average time established by law to register a philanthropic organization: 31-60 days

Average cost for registering a philanthropic organization: USD 1,000

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government, Local Government.

Approval is always on the part of the Central Government; however, associations often need to articulate with their municipalities to integrate the so-called “Social Networks” (which include Third Sector institutions and the municipality to share resources and work on common projects).

¹ Authors of the 2025 *GPEI* report are providing updated narratives and scores to the 2022 *GPEI* report.

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PHILANTHROPIC ENVIRONMENT SCORES

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2025 GPEI	4.00	3.45	3.10	3.90	3.00	3.00	3.41
2022 GPEI	4.00	3.65	3.30	4.00	3.00	3.00	3.49
2018 GPEI	3.67	4.00	4.00	3.60	N/A	3.00	3.65

Source: Indiana University Lilly Family School of Philanthropy, 2025 *Global Philanthropy Environment Index*

KEY FINDINGS

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.0

There has been no change since 2022. For more information, please see the 2022 *GPEI* Country Report Portugal, available here: <https://hdl.handle.net/1805/28181>.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 4.0

There has been no change since 2022. For more information, please see the 2022 *GPEI* Country Report Portugal, available here: <https://hdl.handle.net/1805/28181>.

Question Three: To what extent is there government discretion in shutting down POs?

Score: 4.0

There has been no change since 2022. For more information, please see the 2022 *GPEI* Country Report Portugal, available here: <https://hdl.handle.net/1805/28181>.

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 3.3

There are no substantial changes compared to the 2022 *GPEI*. Both individuals and legally constituted organizations can deduct taxes from their revenues and donate to POs. However, there must be more simple and objective information, and information is lacking, as well as greater benefits, both for individuals and organizations to donate on a more regular basis to POs. In the case of individuals, they can attribute 0.5% of their Personal Income Tax (IRS) to an IPSS and this considered costs or losses for the purpose of determining taxable profit. Tax laws state that 25% of individual donations made to accredited institutions that pursue charitable purposes are tax deductible, as long as the donor does not consider donations to be a business expense. The Income Tax Law in Portugal also establishes different categories of corporate tax deduction depending on whether there is a limit on the deduction or not. In the case of unlimited donations, corporate donors can deduct between 130% and 140% of the donated amount. Limited donations, such as those for charities and other private institutions of social solidarity, allow deductions between 130% and 150% of the donated amount. However, we must bear in mind the following essential element: in terms of donations to the IRS (individuals), or IRC (companies), donations can only be made to organizations that have public utility status recognized by the State. Annually, the State publishes a list of organizations to which tax donations can be made. Although all other social organizations can receive donations, it ends up being less attractive as there is no associated tax benefit. In Portugal, the Public Utility Statute is the most important instrument to obtain advantages. Only organizations that enjoy this status can benefit from the IRS and VAT allocation, after a formal request to the Tax Authority (AT). In other words, a donation is understood as an outflow of money, an expense.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.6

POs can have several tax benefits, namely the reduction or exemption in the payment of some taxes (Value Added Tax (VAT), real estate, Single Circulation Tax, Corporate Income, among others). However, the degree of exemption is related to the type of intervention and the nature of the association (for example, an association that is considered to be of public benefit has a much more favorable framework compared to others that do not have this status), as well as the form that the expenses are presented in the IRS, namely through the Annual Declaration of accounting and tax information. However, the exemptions are limited to the fact that they are service providers and not as purchasers of services (as is the case, for example, with VAT – Value Added Tax), although part of the amount can be reimbursed. The law also allows for social patronage, as well as donations from individuals and companies. However, we must emphasize that in an estimated universe of 72,000 social organizations (National Institute of Statistics, 2019, data referring to 2016) only 4,500 (according to the Finance portal) were authorized to receive IRS allocation in 2024. In other words, although the State allows them, this only covers a small percentage of the Third Sector. Regarding

the entities that receive IRS and VAT donations, it can be added that these donations are not immediate. The delivery of taxpayers' declarations takes place between May/June, it is only after 9 to 10 months that the value is transferred from the AT to the entity, you never know who made the consignment or the values. The results of the consignments are not published every year, the last release is from 2018. Some public data: Cáritas receives around 400/500 thousand euros per year; Portuguese League against Cancer, around 1.5 million euros per year; AMI around 150/200 thousand euros per year; SOS Children's Villages 390 thousand euros.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 3.1

According to a 2022 report, "Development Financing in times of uncertainty: the contribution of Portuguese Cooperation" (ONGD, 2022), Portugal is one of the OECD countries with the lowest percentage of income dedicated to cooperation, being quite far from the international target for Aid Public Policy for Development (ODA) until 2030, estimated at 0.7% of Gross National Income. In 2022, this number stood at 0.18%. In other words, although Portugal develops cooperation work focused on African countries that include Portuguese as an official language (e.g., Angola, Mozambique, Guinea-Bissau, Cape Verde, São Tomé and Príncipe), the numbers are still quite incipient in terms of cooperation and development, which includes donations, both monetary and goods (clothes, non-perishable goods, etc.). It should also be noted that Portugal is part of Transnational Giving Europe (TGE), which seeks to encourage a secure and tax-effective cross-border giving framework in terms of donations and funding at national level. and international level, which is one of the recommendations of the European Union. However, we must bear in mind the following element: the majority of donations are made by the State, or through non-governmental organizations for development, and many of them require regular and concerted support. There is no public policy to encourage international donations by companies or individuals, as well as a general lack of communication and information about tax benefits, or how this help can be implemented.

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.1

There has been no significant change since 2022. For more information, please see the 2022 *GPEI* Country Report Portugal, available here: <https://hdl.handle.net/1805/28181>.

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 4.0

No significant changes. The relationship between the Government and the Third Sector is transparent and there are not many tensions, particularly because the Portuguese Government has always assumed itself as a regulator, especially when organizations receive public funds, or have an agreement with Social Security (often making activities in the area of social assistance, health, or others in which government services also participate). Many organizations (Foundations, Private Institutions of Social Solidarity) assume the role of social partners and can participate in the definition of social policies. However, there is a lack of greater support and involvement for smaller organizations.

There could be more information on the tax system of social organizations, along with training actions and reinforcement of their infrastructure. It should be noted that although transparent, the system should be less bureaucratic and more accessible.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 3.8

There have been no significant changes since the 2022 GPEI. However, there has been an increase in discourse that calls into question the work of social organizations, particularly those working in favor of (non-European) immigrants and refugees, animal causes, the environment, or gender equality. The growth of the far right is a factor that will have to be considered in the times to come.

For more information, please see the 2022 GPEI Country Report Portugal, available here: <https://hdl.handle.net/1805/28181>.

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 3.0

The economic and social context is more complex and marked by some constraints. First, the effects of response policies to a post-pandemic scenario, characterized by the implementation of different aid policies, particularly for companies. Secondly, due to the consequences of Russia's invasion of Ukraine, which channeled not only economic aid, but also the implementation of some aid policies for Ukrainian refugees (although more pressing in the first year of conflict). Third, as a partial result of these two factors, an economic and social crisis characterized by high inflation (particularly in 2023), increased immigration, as well as a housing crisis and struggles for rights and increased salaries for different professional groups (doctors, teachers, police, military). The social perception

about the levels of corruption of the political class led to new legislative elections that boosted the growth of the extreme right (nationalist, anti-immigration, critical of social sector organizations and what it calls “gender ideology”) and the election of a government recent, minority and dependent on agreements to remain in. For example, the entire process suspended and delayed the implementation of social policies and the allocation of funds to certain areas, particularly social. that does not contribute to a favorable climate for philanthropy.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 3.0

As mentioned in the 2022 GPEI, in historical terms, the third sector and philanthropy in Portugal have always been influenced by the determining role of two actors: Government and private entities, particularly the organizations of the Catholic Church. For many years, there has always been a logic that the Government should be the main player in social policies, which is why most Third Sector organizations have always worked in the area of social assistance (as complementary to the Government), existing, unlike other countries, few associations in the cultural area, as well as few volunteer activities.

Currently, as a consequence of the political confrontation and the rise of the extreme right, a critical discourse on the social sector has begun to gain momentum, particularly targeting organizations working in favor of the following areas: (non-European) refugees, immigrants, gender equality. Excluding the work of the IPSS (concentrated on social sectors complementary to the State), the discourse has gained strength, in certain segments of the population, which also criticizes the State's social policies, particularly in terms of subsidies for the most disadvantaged.

VII. Recommendations for Philanthropy

These questions are used to provide a general picture of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Three key recommendations to improve the environment for philanthropy

- Facilitate and promote access to public utility status in order to enable its attribution to a greater number of NGOs and POs, as it constitutes one of the main ways in which they can receive donations and financing. At the moment, the law only benefits larger organizations and prevents many others from growing.
- Promote increased donations to social organizations by individuals and companies. This point is related to the previous one, as many people have a greater connection with local community organizations. By allowing them access to public utility status, philanthropy is also encouraged.
- Substantially increase and diversify the number of financing lines for social sector entities, both from the State and from private Foundations and other entities. The existing programs,

although more publicized, are insufficient and do not allow for continuous and sustained growth of the social economy.

Lasting innovation or impacts in the nonprofit sector and philanthropy in response to the COVID-19 pandemic

- Increased collaboration between POs
- Increased collaboration between the philanthropic/NGO sector and government
- Online/digital giving
- More flexible tax benefits
- Prioritized support vulnerable populations (please specify which vulnerable populations below) - Children, Students, Elderly
- Virtual or hybrid workplace

Issues or trends are emerging as significant to the nonprofit sector and philanthropy

- Climate change/environmental conservation
- Gender equity
- Increase of nationalism
- Professionalization of the nonprofit sector
- Social justice and equity

This is a very deep and complex question. As mentioned in the previous Index, the Portuguese nonprofit sector has sought to professionalize and train itself in technical and strategic terms. The funding programs that have been launched have sought to be guided by greater levels of specialization (e.g. insistence on Monitoring and Impact Assessment) and the search for answers to different social problems, the greatest examples being those that emerged within the scope of combating the pandemic and supporting the refugee population from Ukraine. In addition, there are regular support programs for more excluded groups, namely the elderly, people with disabilities, or those with low resources. It should be noted, once again, that the majority of funding programs are promoted by foundations in the social area, but created and financed by large economic groups, such as banks and companies in the energy sector (some of them where the State constitutes one of the main shareholders). However, most of these programs end up being limited to a certain context. Portugal is a country where we are witnessing a major sociodemographic reconfiguration due to immigration (mostly from Brazil, but also from India, Nepal, among others). Demographic changes allowed the deficit in the child and youth population and those of working age to be partially balanced, also allowing the financial sustainability of Social Security (due to taxes paid by immigrants) to cease to be a risk, as happened during the intervention by the International Monetary Fund in 2011. However, the effects of the pandemic and war in Europe led to an exponential increase in the cost of living and the impoverishment of the middle class. In turn, the increase in inflation ended up increasing State revenue and there is currently a problem of redistribution of resources. Policies focused on increasing wages have failed to reduce the cost of essential goods, particularly housing. So, there are big social challenges.

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