SUMMARY

Under the Constitution, the Court issues an annual Opinion on the General State Account and submits it to Parliament. The Opinion is also intended for the Government, to promote the implementation of recommendations, and for citizens, to inform them about the use of public resources, thereby strengthening transparency, integrity and accountability in public accounts.

The assessment of the State's financial activity is based on the examination of the central administration and social security accounts, as well as of the figures reported in the General State Account. This examination is complemented by an analysis of other matters affecting the State's activity and financial position. These include the Reform of public finances – notably progress in programme-based budgeting and public expenditure reviews – financing of the State-owned business sector, support granted to entities outside the public administration and tax benefits, including the Tax Incentive for Scientific Research and Innovation. The Opinion also assesses the implementation of recommendations made in previous years.

The General State Account for 2025 still does not include the consolidated budgetary and financial statements of central administration and social security. This limitation led the Court to conclude that the Account does not comply with the Budgetary Framework Law and prevented its certification. The Opinion identifies matters that undermine the true and fair view provided by the Account, as well as other matters that limit its understanding.

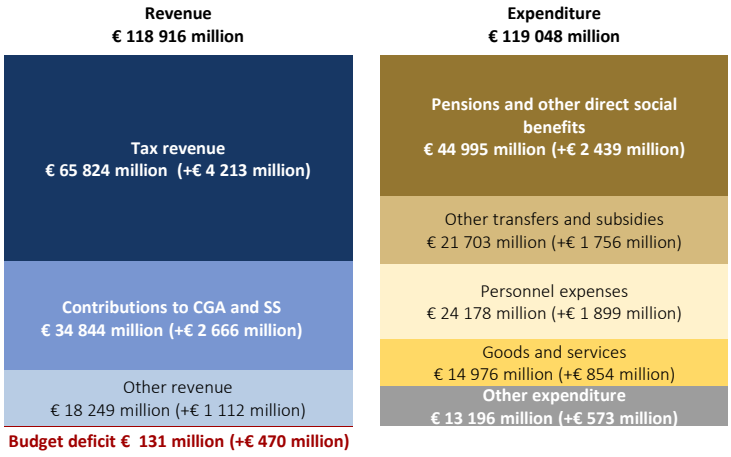
In accordance with the law, a total of 57 recommendations are addressed to the Government and Parliament with a view to remedying the weaknesses identified. Although most of these recommendations, reiterated from previous years, have been only partially implemented, the actions already taken have resulted in significant progress in improving public financial management.

The absence of consolidated budgetary and financial statements prevents a complete and integrated view of the State's financial position and net worth. Consequently, the manner in which the Account is currently presented undermines the information required for sound political decision-making and scrutiny, particularly with regard to the full extent of the State's liabilities – including pension-related liabilities – the risks to public finances and compliance with the principle of intergenerational equity.

Central administration and social security

1. In 2025, the consolidated budget execution of central administration and social security recorded a deficit of € 131 million. Revenue increased by € 7 990 million, more than expenditure, which rose by € 7 521 million. This resulted from a central administration deficit of € 6 855 million, largely offset by the positive social security balance of € 6 723 million.

Tax revenue and contributions to social security, Civil Servants Pension Scheme and healthcare benefits accounted for 84.7% of consolidated actual revenue. Expenditure was mainly composed of pensions and other direct social benefits, personnel expenses, and other support paid through transfers and subsidies, which together accounted for 76.3% of consolidated actual expenditure. (See B.1.2.)



2. **Total expenditure on pensions and allowances (Social Security and Civil Servants Pension Scheme) amounted to € 37 574 million. It was financed mainly by contributions (64.3%), intended to finance contributory pensions, and transfers from the State Budget (33.2%).** The latter were intended to fund non-contributory pensions and offset the loss of revenue suffered by the Civil Servants Pension Scheme following the enrolment of public employees in the social security system from 2006 onwards. Compared with 2024, expenditure on pensions and allowances increased by 5.3%, mainly due to policies to raise older people's incomes – regular and extraordinary pension adjustments and an extraordinary pension supplement paid in September – and the increase in the number of beneficiaries (3 687 244 pensions in payment at the end of 2025). (See C.4.)

3. **Weaknesses persist in identifying which entities should fall within the Account's perimeter, resulting in an understatement of the consolidated revenue and expenditure by at least € 8 million and € 3 million, respectively.** The Account covered 473 central administration processing units and 12 social security entities. In central administration, despite efforts to include missing entities, three entities were omitted from the perimeter and other three did not report their budget execution data. (See B.1.1.)

4. **Limitations in consolidation procedures overstate consolidated revenue and expenditure by at least € 846 million.** The consolidation process, intended to eliminate the effects of significant transactions between entities within the Account's perimeter, still covers a very limited range of transactions, overstating consolidated revenue and expenditure by at least € 527 million. The procedures applied to public debt interest are also inconsistent and result in an overstatement of at least € 320 million. Conversely, revenue and expenditure are understated by € 133 million because expenditure continues to be recorded as deductions from revenue (rather than recorded as an increase in expenditure), and by € 198 million because interest is recorded on a net basis. These practices do not reflect the legal and financial nature of the transactions and breach the principles of non-compensation and specification. (See B.1.2 and B.2.2.1.)

5. **Within the perimeter of the General State Account, of the 1 507 accounts for 2025 submitted to the Court, 83.1% were prepared under the reporting framework (public administrations accounting standardisation system), covering 50.8% of the unconsolidated expenditure reported in the Account.** The remaining expenditure includes accounts of high materiality, such as Public Debt Charges and the Ministry of Finance's Exceptional Expenditure, which include transactions that can only be recognised and measured under the reporting framework once the State Accounting Entity becomes operational. (See Box 2)

6. **Progress has been made in the Reform of public financial management, launched in 2015, although its impact on the General State Account remains limited. This is illustrated by the absence of consolidated budgetary and financial statements, and by the fact that the State Accounting Entity still does not comply with the Budgetary Framework Law.** Overall, enabling progress was achieved in the governance framework, the revision of legislation, the consolidation of accounts, and the integration and processing, by the Ministry of Finance's central systems, of accounting information from central administration entities that have adopted the reporting framework. Tools were also developed to support data integration and analytics for budgetary, economic and financial oversight. (See C.1.)

   Underuse of the RRP funds earmarked for developing information systems to support the Reform led to mobilizing alternative sources of financing to ensure that the projects are completed by 2029. RRP funding, initially set at € 122 million in 2021, was reduced to € 16.1 million (13.2% of the original amount) in 2025. Given that the financial implementation deadline falls at the end of the year and that, in June 2026, approximately € 10 million remained unspent, there is still a high risk that the projects will not be completed with RRP funds. (See C.1.)

7. **The programme-based-budgeting framework is aligned with OECD good practices and provides for scrutiny by Parliament. Its implementation through pilot exercises in 2025 identified areas for improvement.** The framework is based on defining objectives, performance indicators and targets for each budget programme and it is intended to strengthen transparency and accountability. Implementation accelerated significantly in 2025, with the expansion from two to six pilot projects and the approval of legislation establishing specifications and guidelines for implementing budget programmes. The Account reports performance results for 244 of the indicators defined (89.7%), but results for the remaining 28 were not provided. The fourth year of the pilot exercise nonetheless revealed cross-cutting weaknesses in the definition of programme structures, particularly in the formulation of

performance indicators consistent with the activities carried out and in estimating the costs associated with the 222 objectives and related indicators identified in the areas of the economy, defence, education, labour and social security, the environment and culture. In the 2026 State Budget, the framework was extended to all ministries, with cross-cutting improvements resulting largely from the application of budget preparation instructions, the legal framework and the findings of the pilot exercises. (See C.2.)

8. **The Account overstates financial flows to regional governments by € 167 million and fails to identify correctly the paying entity for flows received.** Financial flows to the regions reported in the Account totalled € 979 million for the Autonomous Region of the Azores and € 592 million for Madeira. They comprise transfers from the State Budget, European funds, loans and other occasional support. The overstatement of expenditure concerns off-budget financial flows. As regards flows received, interest income (€ 23 million) and financial assets (€ 74 million) were identified as originating entirely from the Regional Government of Madeira. However, € 4 million and € 16 million, respectively, were paid by the Regional Government of the Azores. (See B.1.2.)

9. **Financial flows between Portugal and the European Union presented a balance of € 2 721 million in 2025, 16.4% lower than in the previous year, particularly reflecting an increase in transfers from Portugal to the EU.** Transfers to the EU totalled € 2 730 million in 2025, confirming the figures recorded in the General State Account. Financial flows from the EU amounted to € 5 452 million, a figure that still differs from that recorded in the Account due to insufficient coordination between the Budgetary Entity and beneficiaries of direct transfers of European funds. The Account does not fully reflect the implementation of the RRP as deficiencies persist in accounting records and differing accounting practices concerning the receipt and use of funds from the Recovery and Resilience Facility.

   Following the Court's findings in previous Opinions, there remains a continuing need to accelerate the pace of the execution of European funds. It was found that, at the end of 2025:

   - Under Portugal 2020, funds for cohesion policy and maritime policy were fully absorbed, while approximately € 8.5 million in agricultural policy funds (European Agricultural Fund for Rural Development – EAFRD) were lost, representing less than 0.2% of that fund's allocation;
   - Under the RRP, payments made to Direct and Final Beneficiaries amounted to € 2 530 million and € 8 268 million, respectively, totalling € 10 798 million. This represented 49% of the total programmed allocation and 78% of the funds received by Portugal by the end of 2025 (€ 13 797 million). However, more than € 2 billion remained to be transferred to Final Beneficiaries, showing that a significant proportion of the resources remained at an intermediate stage of the financing chain and had not yet reached the real economy;
   - Portugal 2030 had a commitment rate of 49.8%. With validated expenditure of € 3 388 million, the execution rate at the end of 2025, four years into the programming period, was only 14.7%.

   Furthermore, RRP planning proved inadequate as an instrument for exceptional funding intended to deliver results through rapid implementation. The risk or impossibility of carrying out the planned reforms and investments led to successive reprogramming, including reductions in the number of milestones and targets to be achieved. These changes affected the objectives originally set, hampering the implementation of structural reforms and investments essential to the country's development. (See B.1.3.)

Central administration

10. **The Account Report still does not separately identify budget amendments affecting the deficit, which in 2025 doubled the deficit forecast in the initial Budget.** Only one fifth of the provisional appropriation was used to finance unforeseen and unavoidable expenditure; it continued to be mainly used to reinforce foreseeable expenditure, particularly personnel expenses. In turn, the amount allocated to centralised appropriations doubled, but their use was around half that recorded in the previous year, without providing justification, either the Budget or the Account, for these amounts. (See B.2.1.)

11. **Weaknesses persist in information systems, affecting the reliability of revenue reporting.** Concerning accounts receivable and revenue collected, reconciliation between all revenue collected and the information recorded in the Ministry of Finance's central systems supporting the Account is not assured. There are also delays in the classification and recording of revenue by processing units. (See B.2.2.)

12. **Tax revenue amounted to € 65 587 million, up € 4 210 million (6.9%) on the previous year, continuing its growth trend and maintaining a stable structure over the past five years.** Personal income tax revenue (€ 18 583 million) accounted for about two thirds of direct tax revenue and increased by € 1 564 million, reflecting employment growth and a reduction in tax refunds. Value added tax revenue, at € 26 690 million, recorded the largest increase compared with 2024, rising by € 2 507 million driven by higher private consumption. (See B.2.2.1.)

13. **Earmarked revenue totalled € 5 364 million in 2025. Such revenue should be subject to close parliamentary scrutiny as it reduces budgetary flexibility, and earmarking is legally intended only as an exception.** Compared with previous years, earmarked corporate income tax revenue declined, and the revenue from the additional levy on the banking sector ceased following the ruling that the levy was unconstitutional. Meanwhile, almost all revenue from social games and gambling tax, as well as one third of the petroleum products tax revenue, continues to be earmarked. The order to be issued by the members of the Government responsible for finance and the economy, identifying the final beneficiaries of the temporary solidarity contribution on the food distribution sector (€ 8 million) and regulating its allocation, has not yet been approved, frustrating the objectives pursued by the Parliament when establishing the measure. (See B.2.2.1.)

14. **Non-tax revenue amounted to € 22 358 million, of which revenue from State activities accounted for the largest share (42.6%).** This aggregate consists mainly of proceeds from the sale of goods and services (44.4%) and from fees, fines and other penalties (40.3%). Approximately one quarter of fee revenue cannot be properly identified in budget execution due to an outdated revenue classifier. As a result, € 998 million is recorded as 'miscellaneous fees', limiting the usefulness of accounting information as the underlying types of fees cannot be identified. (See B.2.2.2.)

15. **At the end of 2025, coercive tax debt collection portfolio by the Tax and Customs Authority (because the payment deadline had expired) totalled € 29 592 million, equivalent to 45.1% of the year's tax revenue; of which € 12 088 million (40.8%) was considered uncollectible.** Both total debt and uncollectible debt continued to increase (by € 708 million and € 682 million, respectively), increasing risks to the sustainability of public finances. Moreover, 59.3% of uncollectible debt relates to corporate taxpayers whose Value added tax activity has ceased, making recovery more difficult. In 2025, following court judgments, the State refunded a further € 14 million paid under special debt settlement schemes launched in 2013 and 2016. On a cumulative basis, such refunds amount to € 316 million. (See B.2.2.3.)

16. **Actual expenditure amounted to € 94 800 million, an increase of 6.2% compared with 2024, continuing the upward trend observed over the past five years. Particularly noteworthy was the growth in expenditure of a structural nature, namely personnel expenses, which rose by 8.6%, alongside a low level of investment expenditure execution.** Over the past decade, average expenditure per employee increased by 1.0% in real terms. Compared with 2024, transfers and subsidies rose by 5.7%, while expenditure on goods and services grew by 6.2%. Although investment expenditure (excluding road public private partnerships) increased by 31.5% compared with 2024, it remained € 2 294 million below the amount budgeted. Underspending occurred across most areas, particularly transport (-€ 1 006 million), housing and community infrastructure (-€ 417 million) and health (-€ 384 million). Defence was the only area in which execution exceeded the budget, by € 695 million, reflecting additional military investments. (See B.2.3.1.)

17. **Overdue payments remained high throughout the year, averaging € 420 million per month and with a sharp decline only in December.** At the end of 2025, liabilities overdue by more than 90 days totalled € 139 million, an increase of 91.1% compared with 2024, indicating a deterioration in relations with suppliers. A significant share of these overdue payments was concentrated in the health sector, where the expected improvements from both the new financing model established at the end of 2024 and the reforms to the organisation and operation of the National Health Service have yet to materialise. The Health Programme continued to be under-budgeted, and capital injections into State-Owned Health Units to cover losses (€ 1 299 million in 2025) were insufficient to settle all overdue liabilities, which amounted to € 380 million at year-end. The Opinion warns that the definition of overdue payments applicable from June 2026 onward (to include liabilities not paid within 30 or 60 days, depending on the type of supplier) places higher demands on budget execution control and requires measures to prevent the risks and consequences of non-compliance. (See B.2.3.2.)

18. **The Decentralization Financing Fund, established to finance competences transferred to local government, recorded expenditure of € 1 419 million in 2025, equivalent to 100% of the revised appropriation and an increase of € 42 million (3.1%) compared with 2024. Expenditure remained heavily concentrated in education (82%).** The General State Account for 2025 provided more detailed reporting, including correctly identifying € 1.5 million for transport and accommodation of upper-secondary students. Nevertheless, shortcomings in reported information persist: € 21.5 million of the Fund's expenditure (€ 21.0 million for health and € 0.5 million for culture) is still reported as allocated to municipalities that do not yet exercise those competences, while in fact they were transferred to central administration services. A breakdown of the Municipal Social Fund by area and responsibility is also still lacking. Taken together, the Decentralization Financing Fund actually allocated to municipalities (€ 1 398 million) and the Municipal Social Fund (€ 271 million) represented 37% of current transfers provided for under the financial regime of local authorities. Thus, despite the progress made, information in the Account remains neither fully accurate nor sufficiently detailed. (See B.2.3.3.)

19. **Reporting in the Account on financial flows with the State-owned business sector in the Account continues to present weaknesses, despite the amounts involved and the sector's importance in performing core State functions, particularly health and transport.** Net financing of the State-owned business sector has remained stable, amounting to € 4 611 million in 2025, provided through capital injections and, to a lesser extent, loans and transfers. Revenue from the sector (€ 749 million) consists essentially of dividends (94.1%), which are understated by € 194 million because they are recorded on a net basis. Expenditure directed to the sector totalled € 5 360 million, mainly benefiting transport (57%) and health (29%). The information presented in the Account contains compilation errors and, in the overall summary, only includes transactions undertaken by the Treasury and Finance Entity, omitting € 2 043 million in expenditure and € 50 million in revenue arising from transactions carried out by other central administration entities. Shortcomings remain in the economic classifier, as do errors in the recording of transactions by entities. (See Box 4)

20. **The Account still does not provide comprehensive reporting of off-budget transactions, despite their materiality and the fact that their accounting and reporting are essential to ensure accountability for all funds held by public entities.** Off-budget revenue and expenditure recorded in the Ministry of Finance's central systems totalled € 33 243 million and € 22 781 million, respectively. The difference of € 10 462 million does not represent an increase in cash holdings but reflects accounting deficiencies, including: (i) the inability of integrated services to report off-budget expenditure to the Ministry's central systems; (ii) the failure to record the transfer to the autonomous regions and local authorities of amounts collected by the Tax and Customs Authority, because the entity responsible for this recording has not been identified; and (iii) failure to comply with the Budgetary Entity's accounting instructions and delays in closing individual accounts, which prevent the final figures from being reported for preparation of the Account. (See B.2.8.)

The absence of central administration financial statements from the Account leads to incomplete reporting – particularly on public debt, treasury, financial and real estate assets, and contingent liabilities (including those arising from guarantees) – which cannot be remedied by the information provided in the Account Report, as it is insufficient.

21. **Public debt remains high, totalling € 262 122 million on a consolidated basis, 1.6% (€ 4 140 million) more than in 2024.** Treasury bonds and savings certificates made the largest contributions to financing in the year, increasing by € 7 576 million and € 5 448 million, respectively. By contrast, the European Financial Stabilisation Mechanism loan decreased following an early repayment of € 2 500 million, and a € 1 525 million loan from the European Financial Stability Facility matured. Public debt between entities within the budgetary perimeter increased by 7.7% to € 75 658 million at the end of 2025. (See B.2.4.1.)

    Although projections point to a favourable trend in the public debt-to-GDP ratio, several factors may undermine the commitment to reduce debt, especially the impact of current international geopolitical tensions on interest rates. The main sources of pressure on refinancing costs include the large volume of debt to be refinanced between 2026 and 2028 (€ 61 billion); a less favourable financing environment, reflected in the cost of newly issued debt, which reached 3.4% in 2024 and 2025 and is expected to increase further in 2026 and 2027, remaining above the cost of issues made up to 2022; and the growing share of debt held by non-resident investors (from 24.8% in 2024 to 30.9% in 2025), who tend to be more sensitive to changes in risk. (See B.2.4.2.)

The Account still omits the debt stock of autonomous services and funds – which stood at € 22 543 million at the end of 2025 – as well as evidence of compliance with all limits established by Parliament. Compared with 2024, this debt increased by only € 37 million (0.2%), mainly reflecting an increase of € 318 million in debt owed to the State, partly offset by a reduction of € 271 million in debt owed to financial institutions. Debt owed to the State, amounting to € 17 510 million, remained concentrated in five entities: *Fundo de Resolução*, *Parvalorem*, *Infraestruturas de Portugal*, *Metropolitano de Lisboa* and *Agência para a Competitividade e Inovação*. The Account Report showed progress providing evidence of compliance with the limits approved in the Budget, although this assessment is constrained by the absence of data on the debt of autonomous services and funds and does not cover compliance with the limit applicable to housing and urban regeneration financing. (See B.2.4 and B.2.4.3.)

For the first time, the Account identifies funds made available through the Budget to repay principal or pay interest on savings products for which payments did not take place, amounting to € 85 million. These funds remain in the custody of the Treasury and Public Debt Management Agency until they are either paid to investors or revert in favour of the Public Debt Settlement Fund. As at 31 December 2025, expired amounts totalled € 10 million. However, only € 3 million had reverted to the Fund by the first quarter of 2026. (See B.2.4.4.)

22. **The guarantees provided by the State, in cumulative terms, totalled € 15 391 million. The Account Report still does not present the risk of guarantees being called on behalf of entities outside the budgetary perimeter (with an impact on expenditure and debt), which represent 84.9% of the total.** In 2025, the State granted new guarantees totalling € 1 721 million. The guarantees scheme supporting loans to young people purchasing their primary residence, amounting to € 999 million, was the main driver of the increase in the guarantees stock during the year. This was followed by a € 497 million guarantee for the Autonomous Region of Madeira. (See B.2.5.)

23. **The information on financial assets presented in the Account Report is incomplete, as it omits € 41 507 million (95.0%) of financial assets held by autonomous services and funds and € 19 624 million (21.7%) of assets in the State's portfolio.** Financial assets totalled € 133 986 million, € 1 887 million less than in 2024. Since 68.8% of the portfolio consists of assets held in entities within the budgetary perimeter, consolidated financial assets amounted to € 41 783 million. Equity holdings and loans predominate in the State's portfolio (89.8% combined), while public debt securities are the largest component of the autonomous services and funds' portfolio (63.3%). Some of these items do not meet the characteristics of a financial asset, notably the ability to generate future economic benefits or allow the recovery of the amounts invested. In this context, the major risk in the State's portfolio concerns holdings in entities undergoing judicial liquidation, amounting to € 2 771 million. Expenditure on financial assets is also overvalued because it includes transactions that are, in fact, transfers. This applies to capital injections intended to cover losses of State-owned enterprises health units for the payment of debts to suppliers, amounting to € 1 299 million in 2025. (See B.2.6.)

24. **The Account still lacks an adequate inventory and valuation of the State's real estate assets, a structural obstacle to asset management that also undermines the preparation of financial statements.** Progress was made in 2026 in regularising and inventorying State-owned properties, and the Public Real Estate Information and Management System is expected to be fully operational by the end of that year. Despite these developments, reporting in the Account, as in previous years, was based on information available in the previous system – the State Property Information System – which has weaknesses already identified by the Court, notably incomplete, inaccurate and outdated records.

The Account Report continues to omit information on a significant share of real estate transactions: 45.7% (€ 34 million) from disposals and 62.5% (€ 12 million) of expenditure on real estate acquisitions. This prevents reconciliation with data recorded by entities in budget execution, undermining the transparency and usefulness of the information disclosed. As regards rents from the occupation of the State properties by public entities, € 385 million were collected for 783 properties, with € 44 million still outstanding. The amount received includes € 179 million in payments by the Armed Forces that were only due in 2026. This transaction distorts annual budget execution and, given its exceptional nature, required an appropriate framework and a clear justification for its authorisation, notably as regards its priority over other expenditure. (See B.2.7.)

25. **At the end of the year, the overall State treasury balance reported in the Account amounted to € 10 698 million, an increase of 21.3% compared with 2024, although the information remains incomplete.** Because it covers only cash movements within the State treasury and excludes bank accounts held by entities in commercial banks, it does not allow revenue and expenditure to be reconciled with cash inflows and outflows, nor does it allow the consistency between accounting records and treasury information to be verified. Inconsistencies also persist in the identification of entities holding treasury accounts, undermining transparency and the accuracy of treasury balances by subsector reported in the Account. The cash buffer was about twice the amount held in 2024, partly to ensure redemption of a Treasury bond maturing in October 2025, worth € 11 433 million. As a result, the net cost of financing the cash buffer increased compared with 2024, reaching € 142 million. (See B.2.9.)

26. **Since 2021, investments in short-term special debt certificates have become increasingly significant in both the public debt stock and the financial assets held by autonomous services and funds.** Between 2020 and 2025, their year-end stock rose from € 7 046 million to € 24 715 million (+250.8%), with particularly large issuances in December, which increased from € 3 719 million to € 21 681 million (+483.0%), mainly as a result of investments made on the initiative of the Treasury and Public Debt Management Agency. These instruments accounted for a maximum of 9.9% of the State's direct debt stock in 2023 (7.8% in 2025) and continue to represent a significant share, close to or above 30%, of the financial assets of autonomous services and funds (35.6% in 2025). The guidance provided in the Budget preparation and execution instructions is a progress, although inconsistencies and a lack of standardisation persist in recording this instrument transactions. This undermines an aggregate analysis of investments by all entities and may lead to misinterpretations of the size of cash surpluses, even though such analysis is essential for informed decisions in this area. (See Box 5)

Social security

27. **The Consolidated Social Security Account Report included in the General State Account presents consolidated budgetary and financial statements covering the 12 entities within the social security subsector and includes the budget execution statements as required by the Budgetary Framework Law.** The reliability of this subsector's account is particularly important in the context of the consolidated General State Account that, in future, shall be prepared in accordance with the Budgetary Framework Law and certified by the Court. (See C.3.1.)

28. **In budgetary terms, social security recorded a surplus of € 6 723 million (compared with € 5 536 million in 2024), indicating financial sustainability in the short-term, although weaknesses in reporting persist.** Revenue increased by € 3 918 million to € 46 110 million, mainly by social contributions, plus € 2 464 million compared with 2024. Expenditure (€ 39 387 million) rose by € 2 731 million, or 7.4%, compared with 2024. This growth was driven primarily by pension payments, which accounted for 63.1% of total expenditure and increased by 5.5%, and by other social benefits, which grew 8.9%. It should be noted that the increase in revenue from social security contributions is predominantly cyclical, whereas expenditure pressures are structural, arising not only from demographic developments but also from acquired rights resulting from policy decisions in this area.

    Significant reporting weaknesses remain, particularly in the report accompanying the social security account and in the measurement of contribution revenue foregone, as well as in the omission of a consolidated statement of rights and obligations by nature. Discrepancies also persist between the Budgetary Framework Law, the annual State Budget law, the Social Security Framework Law and the decree-law governing the financing of the social security system. (See B.3.1 and B.3.2.)

29. **Extraordinary pension measures will continue to generate additional expenditure throughout beneficiaries' lifetimes. Notably, it was not possible to identify the impact of the measure approved for 2025.** Between 2017 and 2025, State expenditure on these measures (introduced between 2017 and 2022) totalled € 5 636 million, of which € 1 001 million related to 2025. As regards the extraordinary pension adjustment approved for 2025, no accounting evidence could be obtained showing that it had been recognised as an additional benefit for pensioners, making it impossible to identify its impact. (See B.3.2.)

30. **Extraordinary measures to mitigate the impact of natural disasters totalled € 1 million between 2022 and 2025. Despite their exceptional nature, delays were observed in payments of one-off benefits and inefficiencies affected the implementation of contribution-related measures.** Measures intended to meet immediate basic needs were

hampered by delays in both regulation and operational implementation. The new response model for mitigating the effects of wildfires, approved in August 2025, had not yet ensured timely payments during that year. Contribution-related measures providing for full or partial exemptions from social security contributions, although envisaged since 2022, only began to be granted in 2025. The resulting foregone revenue was around € 5 million, of which approximately € 4 million affected the 2025 accounts. However, it was not possible to identify this loss of revenue in the Account's reporting tables. (See Box 6)

31. **At 31 December 2025, the consolidated social security balance sheet stood at € 62 675 million, € 8 348 million (15.4%) higher than in the previous year.** The surplus of contribution income over expenditure on social benefits, which enabled a transfer of € 4 000 million to the Social Security Financial Stabilisation Fund in 2025, has contributed to increasingly positive annual net results, reaching € 7 534 million in that year, and to the expansion of the Fund's asset portfolio. In 2025, this portfolio amounted to approximately € 42 billion and was the largest component of the consolidated social security balance sheet. (See B.3.3 and B.3.4.)

    Nevertheless, the reliability of the consolidated account is broadly undermined across several items in the financial statements. In particular, the balance sheet does not reflect liabilities relating to pensions payable to current beneficiaries. With regard to receivables (€ 8 861 million), limitations in existing controls and inconsistencies between information systems made it impossible to determine whether all amounts due had been recorded in the balance sheet at the correct value and in the appropriate reporting period. Receivables classified as doubtful (€ 11 370 million) present a high risk of non-recovery, since 97.3% are subject to impairment. Shortcomings and omissions were also identified in the disclosures required under the reporting framework, notably those concerning management accounting, as well as those related to the disclosure of all accounting adjustments made over the past three years in preparation for the full implementation of the reporting framework. Furthermore, the consolidation of the individual accounts of the 12 entities comprising the social security subsector is affected by the absence of statutory audit certifications for the most financially significant entities (Social Security Financial Management Institute and Social Security Institute) and by the failure to consider the limitations identified in the certified individual accounts. The process was also hindered by weaknesses in the technological solution adopted for consolidation, affecting both the consolidation process and the consolidated reporting. (See B.3.3.)

32. **Nevertheless, significant progress was observed during the three-year transition period to the reporting framework, which was completed in 2025.** Key developments included the recognition and measurement of movable and immovable assets, the accrual-based recognition of contribution income, the recording of revenue receivable in future periods under contribution instalment plans, improvements in the consistency between the budgetary and financial accounting subsystems in certain entities, and the establishment of a group accounting policy for investment properties. (See B.3.)

33. **Social security real estate assets were revalued in 2025, increasing the book value of properties by 34.5% compared with the previous year and improving the reliability of the consolidated balance sheet in this area.** Nevertheless, the balance sheet continues to understate the value of real estate assets as some properties have not been recognised in the accounts and the inappropriate measurement of others.

    The real estate portfolio comprises 3 059 properties located in 205 municipalities on the mainland and islands, with a book value of € 542 million. Almost half of the properties are leased (46%); more than 30% are vacant, unlawfully occupied or without a valid lease, and 11% are occupied by social security services. Approximately half of the vacant properties are undergoing rehabilitation. (See Box 7)

34. **In 2025, several laws and regulations affecting social security entities had still not been revised.** These include: (i) the lack of clarity regarding the participation of social security entities in the treasury management framework operated by the Treasury and Public Debt Management Agency; (ii) the absence of regulations governing the single social security treasury and the limits on capital investments by the Social Security Financial Management Institute; (iii) the absence of regulations defining the terms of State financing and the endowment of own assets for the Wage Guarantee Fund; and (iv) the failure to update the ministerial order governing the investment policy of the Social Security Financial Stabilisation Fund. (See B.3.)

35. The assets of the Social Security Financial Stabilisation Fund amounted to € 41 947 million, enabling the Fund to meet the statutory target of covering two years of contributory-system pensions. Over the past five years, its asset portfolio recorded an average annual growth rate of 16.5%. This growth was driven primarily by capital inflows notably, transfers of surpluses from the pay-as-you-go contributory subsystem, which totalled € 14 615 million over the period. It was also supported by returns generated through investment portfolio management (€ 3 266 million) and earmarked tax revenue (€ 2 301 million).

The share of Portuguese public debt in the Fund's asset portfolio has remained stable in recent years, at above 50%. However, its absolute value almost doubled over the same period, highlighting the Fund's growing role as a lender to the State. In 2025, it held 6.8% of total direct Portuguese public debt, compared with 4.3% in 2021.

As in previous years, transfers of earmarked tax revenue to the Fund do not always match the revenue assessed by the Tax and Customs Authority. Consequently, cumulative revenue transferred to the Fund since 2017 was € 370 million lower than the assessed amount. (See B.3.4.)

Budgetary process, the European Union's new economic governance and spending reviews

36. Economic and sectoral policy choices set out in multiannual planning instruments remain misaligned with the annual budget intended to implement them. Multiannual expenditure ceilings continue to be of limited usefulness. It remains impossible to reconcile the policy choices set out in the Major Options with budgetary forecasts. In addition, the Medium-Term Budgetary Framework was approved simultaneously with the Budget, highlighting the predominance of an annual rather than multiannual perspective and the limited usefulness of this instrument, particularly as a basis for setting the budgetary objectives in the National Medium-Term Fiscal-Structural Plan. This Plan and its Annual Progress Report are new documents introduced under the European economic governance framework and became part of the 2025 budgetary process. (See A.1.)

37. The European Union's new economic governance framework centres fiscal discipline on the net expenditure path, as set out in national medium-term plans and monitored by the Commission, the Council and independent fiscal institutions. Net expenditure increased by 5.5% in 2025, representing an annual deviation of 0.2% of GDP from the recommended path. The cumulative deviation was 0.4% of GDP, remaining below the maximum permitted limits. Estimates for 2026 indicate net expenditure growth of 5.6%, already incorporating the impact of support measures adopted in response to calamities induced by storms in January and February 2026, as well as new fiscal policy measures.

The estimate of net expenditure growth in 2025 is particularly sensitive to the quantification of discretionary revenue measures. These measures are important in calculating the net expenditure indicator because they affect its measurement and may influence the assessment of medium-term fiscal adjustment. However, the estimates are not based on harmonised statistical data and methodologies at European Union level, which undermines data transparency and consistency. Significant differences were identified between the estimates of discretionary revenue measures presented in the various reporting documents. The General State Account should provide complete and verifiable information, consistent with the Annual Progress Report, thereby strengthening accountability and the credibility of fiscal surveillance. (See Box 1)

38. The information on budgetary policy measures presented in the General State Account Report has improved, although further progress is possible. For 9 out of the 39 measures planned in the Budget, the reported impact repeated the budget forecast because outturn data was unavailable. In the Budget, these 9 measures totalled € 1 629 million in absolute value and were projected to have an impact of € 201 million on the budget balance. They included revenue from wage and pension increases and the measures to fight against tax fraud and evasion, as well as expenditure on career progression and promotions and the full recovery of teachers' service time. In addition to inconsistencies in reporting of these measures, discrepancies were identified in the quantification of the impact on the budget balance of the spending review measures and the tax benefits for home acquisitions by young people aged up to 35. Despite these limitations, the Report provides information on the implementation of budgetary policy measures approved during the year and, in several cases, uses estimates to quantify their final impact, notably for personal and corporate income tax, rather than merely reproducing budgeted figures. This represents a positive development on reporting. (See A.2.)

39. **Deviations from budget forecasts have followed a similar pattern over the years, particularly the under-execution of investment expenditure (one-third below budget in 2025) and under-budgeting of tax and contributory revenue.** In 2025, the execution of both revenue and expenditure was affected by RRP funds. European funds received were below forecasts, resulting in an under-execution of € 5 945 million in capital revenue and other current revenue. Investment expenditure was also € 2 525 million below budget, while purchases of goods and services were € 707 million below budget. (See A.2.)

40. **In 2025, public spending reviews more than doubled their coverage compared with 2024, rising from 2.0% to 4.8% of total consolidated central administration expenditure. They generated savings of € 310 million, compared with € 184 million in 2024. Nevertheless, weaknesses persisted in planning and evaluation, the identification of financial and non-financial impacts, and transparency.** Under the new framework implemented in 2024, the timetable of activities was aligned with annual and multiannual planning, although the integration of projected savings into the medium-term budgetary framework remains unclear. Over the two years under assessment, spending reviews covered seven topics in the environmental, health and finance sectors, enabling savings to be projected, until at least 2027. Of the cumulative savings of € 494 million achieved since 2024, 76.8% related to the Public Administration Resource Efficiency Programme – ECO.AP-2030. No forecasts or results were presented for two topics in the finance sectors. The General State Account Report did not disclose the implementation status of the 2025 savings measures across all expenditure sectors. The Opinion identifies scope for improvement, particularly in coordination of spending reviews with the medium-term budgetary framework, comprehensively identifying the expected impacts and the actual results for each topic, and publishing documents supporting the spending reviews. (See C.3.)

Tax benefits and support

41. **In 2025, tax expenditure (revenue foregone as a result of tax benefits) amounted to € 20 934 million, although this figure still excludes one third of all tax benefits (101 out of 320). Tax expenditure has risen steadily over the years and its 2025 amount was 44.3% higher in real terms than in 2021.** This trend is due, among other factors, to increased economic activity; the strengthening and widening of tax benefit schemes, particularly for personal income tax; and the growing number of benefits for which tax expenditure has been quantified. Excluding tax expenditure relating to reduced and intermediate Value added tax rates (€ 12 278 million), the largest share (30.8%) concerns family support benefits, particularly inheritance and other transfer exemptions from stamp duty (€ 748 million), support for persons with disabilities (€ 591 million in personal income tax) and the Young personal income tax regime (€ 223 million). Approximately 21.0% of tax expenditure relates to incentives for corporate investment and research and development, including the Tax Incentive Regime for Corporate Capitalization (€ 535 million), SIFIDE – Tax Incentive System for Business Research and Development (€ 531 million) and RFAI – Investment Support Tax Regime (€ 247 million). It should be noted that, although repealed in 2024, the Non-Habitual Resident regime still accounts for almost two thirds of personal income tax expenditure (€ 2 099 million). (See C.6.)

42. **In 2025, two tax benefit evaluation reports were published by the Technical Unit for Tax and Customs Policy Evaluation.** They covered 31 tax benefits accounting for 77% of tax expenditure assessed in 2024, as well as 13 others due to expire on 31 December 2025. The reports proposed retaining 35 of the benefits assessed, albeit with changes, and abolishing the remaining nine, including indirect SIFIDE, which was abolished in August 2026. (See C.6.)

43. **Controls by the Tax and Customs Authority over the granting of personal income tax benefits have improved, but limitations remain.** Taxpayers with outstanding tax debts are not eligible for these benefits when tax due is assessed. In 2025, checks on personal income tax benefits covered more than one million tax returns, resulting in the cancellation of benefits for almost 1% of those taxpayers and an increase of € 4 million in net tax assessed. Despite the larger number of taxpayers checked, some tax benefits remained outside the scope of control, either because of delays in making those checks operational or because further IT developments are required. (See C.6.)

44. **Taxpayers registered under the Tax Incentive for Scientific Research and Innovation – introduced in 2024 to attract 'highly qualified professionals in scientific research, investment and business development' – are mainly directors and managers or information and communication technology specialists (75.6%), while teaching and research activities account for 11.3%.** To benefit from this scheme, which provides more favourable personal income tax treatment and, as a rule, an exemption for foreign-source income, taxpayers must become resident and carry out certain activities. As at May 2026, 946 taxpayers were registered under the scheme (147 in 2024 and 799 in 2025), most of them aged 36–55 (59.2%), foreign nationals (89.3%) and residing in Lisbon (65.9%). It should be noted that the law did not sufficiently define highly qualified professions and economically relevant activities, which are essential to determining the scope of the tax benefit, giving rise to legal uncertainty.

    The scheme poses specific control risks. These include improperly obtaining exemptions by shifting income generated in Portugal abroad; access to the benefit by taxpayers who are registered as residents but retain their centre of vital interests in another country; incorrect classification of activities as relevant (especially when certified by employers controlled or influenced by the beneficiary); and the creation of companies primarily to enable their executives to benefit from the scheme. (See Box 9)

45. **In 2025, non-repayable support of € 5 401 million was granted in the form of subsidies and transfers to entities outside the public administration. Most support was granted by 22 entities to more than 335 000 beneficiaries. This amount represents a 7.5% decrease compared with 2024.** In this context, there was a gradual withdrawal of support intended to mitigate the effects of rising inflation, energy prices and interest rates resulting from the geopolitical shock. Support for environment and energy fell by 48.2%, while support for the economy increased by 53.9%, driven by RRP business incentives. Over the past three years, eight areas accounted for an average of 83.1% of total support granted, notably agriculture and fisheries, environment and energy, and the economy, which together absorbed 56.9% of European funding.

    The support reporting system continues to display significant weaknesses. Because expenditure is insufficiently specified, budget execution records do not identify the purposes of support amounting to € 956 million (17.7% of the total). In addition, inconsistencies of at least € 1 043 million were found between budget execution and information provided by entities. These differences mainly relate to flows of funds originating from European financing. (See C.5.)

46. **Between 2008 and 2025, net public support to the financial sector reached € 20 667 million. In 2025, the balance between revenue and expenditure was favourable to the State by € 617 million (€ 306 million in 2024).** This result was driven by € 275 million received from a share capital reduction at *Novo Banco*, € 262 million in dividends and the repayment by *Parvalorem* of an € 80 million loan. However, at the end of 2025, the nominal value of the related assets stood at € 9 563 million, less than half the net costs incurred since 2008. (See Box 8)

47. **In 2025, net charges relating to public-private partnerships (PPPs) totalled € 1.2 billion, € 126 million (9.8%) less than in 2024 but € 35 million (3.1%) above budget.** The road sector accounted for € 871 million (75.1%) of these charges, followed by health sector with € 221 million (19.0%). Weaknesses persist in identifying the universe of PPPs and other concessions, ensuring the consistency of information, and providing timely reporting. Contingent liabilities increased by 62.8% to € 2.9 billion, mainly due to a contingent liability of € 1.1 billion associated with Brisa, the valuation of which is still partial. (See C.7.)

Implementation of the recommendations made in the Opinion on the General State Account

Specific measures taken to implement the recommendations have contributed to improvements in public financial management. Nevertheless, further progress remains heavily dependent on implementing recommendations concerning the Reform of public finances and on enhancements to information systems. Of the 67 recommendations made in the Opinion on the 2023 General State Account, 47 (70%) have been fully or partially implemented.

48. **The full implementation of 13 recommendations led to improvements, in the classification of entities within the Account's perimeter, the discontinuation of the simplified version of the economic classifier and compliance with deadlines for validating expenditure financed by European funds.** In the area of social security, the process of updating and applying the useful lives of real estate assets in accordance with the reporting framework was completed, and the rule governing the allocation of part of corporate income tax revenue to the Social Security

Financial Stabilisation Fund was amended.

Progress was also made in implementing partially 34 recommendations, particularly in relation to results of spending reviews, the implementation of the Public Real Estate Information and Management System, the inventorying and registration of properties and, in the field of tax benefits, improvements in their inventory, classification and quantification of tax expenditure. Within social security, progress included corrective measures to improve the valuation of most properties recognised in the financial statements, the regularisation of movable assets that could not be located or whose records required correction, and the development of interfaces to strengthen controls over accounting balances by debtor contributors.

Of the 20 recommendations for which no implementation action was taken, key shortcomings include the continuing omission from the Account of the debt of autonomous services and funds, the failure to amend legislation allowing support payments to be recorded as a deduction from revenue rather than as expenditure, and the absence of approved real estate management and inventory plans. In social security, legislation on the system's financing framework remains unapproved, and the ministerial order governing the investment policy of the Social Security Financial Stabilisation Fund has not been updated. (See D.2.)

49. As the circumstances underlying them persist, 50 recommendations are reiterated in this Opinion. Of these, 58% are structural in nature, as their implementation requires coordination among several entities, involves complex processes and entails longer timeframes. The remaining could be implemented in the short term, particularly by improving reporting and procedures. (See D.2.)