



# TAXES IN EUROPE

**2024**

32<sup>nd</sup> EDITION

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# Portugal




 **Capital city:**  
Lisbon

 **Language:**  
Portuguese


 **GDP/capita**  
**2023:**  
USD 41,863

 **Telephone code:**  
+351

 **Aera:**  
92,358 km<sup>2</sup>

 **Political system:**  
Semi presidential  
republic

 **Currency:**  
Euro

 **National day:**  
10 June

 **Population:**  
10,235,702

 **ISO Code:**  
PRT



## 1. Corporate taxation

### 1.1 Taxes on entities

Legal entities are subject to corporate income tax on their profits (IRC).

### 1.2 Residence and non-residence

Resident entities include companies and other incorporated entities and these are liable to corporate income tax on their worldwide income. A company is resident if it is incorporated under Portuguese law or if its main management is within in Portugal.

Non-resident entities (i.e. companies and other body corporates with no permanent establishment in Portugal) are only taxed on Portuguese-sourced income.

### 1.3 Tax year and filing

The tax year in Portugal is the calendar year. However, a company may file a return based on its own financial year.

Generally annual tax return and pay the IRC due by 31 May of the year. The amount of IRC payable is the amount due after deducting both the provisional payments made in the previous July, September and December, and the tax withheld at source. The outstanding balance must be paid by 31 May.

### 1.4 Types of income

The taxable profit is based on the accounting profit subject to certain adjustments. In addition there are limited deductions for certain gifts.

Profits include capital gains.

Expenses relating to the business are generally deductible, although the deduction of certain expenses which may have a mixed character can be limited.

A provision can be made for bad and doubtful debts on a specific or general basis.

## 1.5 Group income and grouping arrangements

A Portuguese resident company can form a consolidation for tax purposes with owned subsidiaries.

## 1.6 Capital gains

The capital gains and losses are integrated into the taxable basis of the IRC.

## 1.7 Losses

There is no longer any time limitation on the deduction of tax losses.

This amendment is applied to the deduction from taxable profits from periods of inhibition that began on or after January 1, 2023, as well as to tax losses calculated in periods of intake prior to January 1, 2023, whose deduction period is still in progress on the date of entry into force of this law.

The deduction of losses is now limited to an amount corresponding to 65% of the taxable profit calculated in the tax period in question (currently this limitation is 70%).

## 1.8 Exemptions

There is a participation exemption in respect of dividends received from a company in which a holding have higher of 10% and more EUR 20,000,000 is held.

## 1.9 Rates

Corporate income tax is levied at a national level. The first EUR 50,000 is taxed at a rate of 17% and amounts in excess of EUR 50,000 are taxed at 21%.

## 1.10 Double tax relief

A credit is given for withholding taxes on dividends, interest and royalties.

## 1.11 Simplified regime - crypto assets

The inclusion of income related to crypto-assets is foreseen in the determination of the tax base of the simplified regime with the application of the following coefficients:

- i. 0.95 in the case of income from mining crypto assets;
- ii. 0.15 in the case of other income related to crypto-assets (excluding those arising from mining), which are not considered capital income or result from the positive balance of capital gains and losses and other equity increments.

## 2. Personal income taxation

### 2.1 Taxes on income

The most important taxes are income tax (IRS) and wage tax, the latter being levied at source from wages and salaries.

There are also social security contributions which are mainly paid by the employers and the employee.

### 2.2 Residence and non-residence

There shall be considered as resident in the Portuguese territory any person who, in the year to which the income relates:

- stays there more than 183 days, with or without interruption;
- having stayed there for less than 183 days, has at his own disposal on 31 December of that year a dwelling place in such conditions that it may be inferred that there is the intention to keep and occupy it as an habitual abode;
- on 31 December, is a crew member of a ship or aircraft provided that such person is employed by entities having their domicile, head-office or effective management in such territory;
- is exercising abroad a public function or commission in the service of the Portuguese State.

The regime for non-habitual residents is revoked, but it remains in force for those registered until 31/12/2023.

### 2.3 Tax year and filing

The tax year is the calendar year

In general a tax return should be filed from 1 April to 30 June.

The non-resident taxpayers in respect of income obtained in Portuguese territory (art. 18 of the CIRS), is subject to withholding tax retention.

After filing, a return on assessment is received.

## 2.4 Types of income

Income is classified as falling into six different categories:

Category A: Income from employment;

Category B: Income from self-employment and commercial or industrial activity;

Category E: Capital investment income;

Category F: Rental income;

Category G: Income from capital gains ;

Category H: Pensions.

## 2.5 Capital Gains

Capital gains are specifically taxed by adding the taxable gain to the taxable income subject to income taxes.

## 2.6 Losses

Category B:

- 12 years income from self-employment and commercial or industrial activity years carry forward

Category F: Rental income

- 6 years carry forward

Category G : Income from capital gains

- 5 years carry forward

## 2.7 The State Budget Law for 2024 confirms the end of the Non-Habitual Resident regime starting in 2024

## 2.8 Allowances and rates

Income tax collectable:

- Up to EUR 7,703	13.25%
- EUR 7,703 to EUR 11,623	18.00%
- EUR 11,623 to EUR 16,472	23.00%
- EUR 16,472 to EUR 21,321	26.00%
- EUR 21,321 to EUR 27,146	32.75%
- EUR 27,146 to EUR 39,791	37.00%
- EUR 39,791 to EUR 51,997	43.50%
- EUR 51,997 to EUR 81,199	45.00%
- above EUR 81,199	48.00%

## 2.9 Social security

Social security contributions consist of various types of fund. There are also social security contributions which are mainly paid by the employers and the employee. The typical amounts deducted are as follows:

Annual salary of the manager	EUR	60,000
Social Security of the employee 11%	EUR	6,600
		<hr/>
Net	EUR	53,400
		<hr/>
Social Security of the employer 23.75%	EUR	14,250

## 2.10 Expatriates

There are no exceptions for expatriates

## 2.11 Options

Personnel options are generally taxed when exercised and on the basis of the value on exercise.



## 2.12 Partnerships

Partnerships are treated as transparent entities and the income is therefore taxed directly in the partner's hands.

## 2.13 Pensions

When the pension is paid it is taxed in more favorable IRS brackets.

## 2.14 Young IRS

The tax regime applicable to income earned by young workers aged between 18 and 26 (non-dependent) are covered by a favorable regime in which they benefit from a discount on the tax payable.

# 3. Inheritance and gift tax

Gifts and inheritances are subject to tax except the transfers within families.

## 3.1 Residents and non-residents

Residence is determined "according to the circumstances". Major factors include having stay in Portugal more than 183 days, to have a home at one's disposal, location of family and work and physical presence.

## 3.2 Rates

Heirs free.

Transmissions to the spouse, children, grandchildren, parents and grandparents, etc. are exempt from stamp duty.

For other transfers the rates vary between 0% and 6%.

The main exemptions for gift tax are:

The donation of real property to descendants, ascending and between spouses is not subject to tax. However, if the recipient of the gift is not one of these people, is subject at a rate of 0,8% in the property right in taxation of real estate donations or a 10% rate, in the case of free purchase of goods.

If the recipient of the gift is one subject IRC liability, the donation will be taxed on IRC.

## 4. Value Added Tax

### 4.1 Rates

VAT is levied at 23% for certain goods. A reduced rate of 6% applies to food, books and certain other necessities. There is exemption for the export of goods.

### 4.2 Distance selling to an individual located in Portugal by a company located in the European Union.

An e-commerce company (or online sales) that makes intra-Community sales, must respect the thresholds for VAT purposes, defined by the European Directive. In the event that the thresholds are exceeded, the online sales company must invoice the VAT of the destination country. Specific VAT rules apply to these transactions

## 5. Other taxes

Other important taxes include:

- transfer tax of property is from 1% up 8 %;
- property tax, which is a local tax based on the value of the property, which is determined each year.

There are provincial and local taxes on income to Madeira and Azores Islands.

There is a withholding tax of 10% up to 28% on dividends. Rentals, interest and royalties.

## 6. Foreign income

Generally, under tax treaties and other arrangements.

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