Portugal

Capital city:
Lisbon

Language:
Portuguese

GDP/capita 2015:
USD 19 222

Telephone code:
+351

Superficy:
92 212 km^2

Political system:
Semi presidential republic

Currency:
Euro

National day:
June 10th

Population:
10’374 M.

ISO Code:
PRT

Portugal

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 it's 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 he 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

After the 1 January 2016 losses may be reported for a period of 5 years.

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 15,000 is taxed at a rate of 17% and amounts in excess of EUR 15,000 are taxed at 21%.

1.10 Double tax relief

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

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.

Non regular residents are subject to IRS only on income derived within the Portuguese territory, independently of their familiar and personal situation.

2.3 Tax year and filing

The tax year is the calendar year

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

The non-resident taxpayers in respect of income obtained in Portuguese territory (art. 18 of the CIRS), not 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

Losses Category B: _____
Income from self-employment and commercial or industrial activity are treated as follows:

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

Category F: Rental income
- 5 years carry forward

Category G : Income from capital gains
- 5 years carry forward

2.7 Exemptions / tax system for non regular residents

Pensioners: IRS Exemption in 10 years
Workers in professional life: fixed rate IRS 20% in 10 years for income earned in Portugal, the high value professionals (architects, engineers, doctors, artists, academics, researchers, investors and managers); if the earnings have foreign origin, then benefit from IRS exemption.

2.8 Allowances and rates

Income tax collectable:

- up to EUR 7,035 14.50%
- EUR 7,035 to EUR 20,100 28.50%
- EUR 20,100 to EUR 40,200 37.00%
- EUR 40,200 to EUR 80,000 45.00%
- above EUR 80,000 48.00%

Additional fees for the last step:

- Employees on the last step, with incomes above EUR 80,000 per year, are still required to pay an additional fee of solidarity, amounting to 2.5%.
- Income greater than EUR 250,000 an additional fee of solidarity of 5% is charged.

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
Net	EUR	53,400
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.

3. Inheritance and gift tax

Gifts and inheritances are subject to tax except the trasnfers 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. Wealth Tax

There is no wealth tax.

5. Value Added Tax

5.1 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.

6. Other taxes

Other important taxes include:

- transfer tax of property is from 0% up 6%;
- 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.

There is a withholding tax of 5% up to 28% on dividends. Rentals, interest and royalties.

7. Foreign income

Generally under tax treaties and other arrangements.

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