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Tax & Customs

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STRAIGHT FORWARD TAX



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Glossary



CIT	Portuguese Corporate Income Tax (“IRC”)
CPP	Portuguese Professions Classification code (“ <i>Classificação Portuguesa de Profissões</i> ”)
DTT	Double Tax Treaty
MPT	Portuguese Property Tax (“IMI”)
NIF	Portuguese tax identification number (“NIF”)
NHR	Non-habitual resident
OECD	Organisation for Economic Co-operation and Development
PE	Permanent establishment (“Estabelecimento estável”)
PIT	Portuguese Personal Income Tax (“IRS”)
PTA	Portuguese Tax Authority
PTT	Portuguese Property Transfer Tax (“IMT”)
SD	Portuguese Stamp Duty (“ <i>Imposto do Selo</i> ”)
SS	Portuguese Social Security (“ <i>Segurança Social</i> ”)
VAT	Portuguese Value Added Tax (“IVA”)



General tax information









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Overview of the Portuguese tax system

Get to know the key take-aways of the Portuguese Tax System in a strictly need-to-know basis.

- Portuguese PIT (called “IRS - *Impostos sobre o Rendimento das Pessoas Singulares*”) is a **yearly tax levied over resident taxpayers worldwide income** or non-resident taxpayers income deemed to be originated in Portugal.

		TAX RATES FOR RESIDENTS	DEADLINE
TAX BASE	 Employment income	Progressive taxation at 14,5% - 53%, except for added-value activities rendered by NHR which is subject to a 20% flat rate.	Payable between April 1st and June 30th with respect to income generated on the previous year.
	 Royalties	28% flat rate	
	 Business and freelancing services income	Progressive taxation at 14,5% - 53%, except for added-value activities rendered by NHR which is subject to a 20% flat rate.	
	 Pensions	Progressive taxation at 14,5% - 53%, except for foreign pensions obtained by an NHR which is subject to a 10% flat rate	
	 Real estate income/gains	Either 28% flat rate, in case of lease income, or progressive taxation at 7,5% - 26,5% in the case of real estate gains	
	 Capital income/gains	Including dividends or gains from sale of shares (subject to a 28% flat rate).	





Portuguese Tax System
PIT

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Get to know the key take-aways of the Portuguese Tax System in a strictly need-to-know basis.

- The Portuguese Public Social Security System (called “*Segurança Social*”), is a welfare **contributory scheme that is mandatory for most salaried workers, as well as for the self-employed** (although the latter are subject to special conditions):

		TAX RATES	DEADLINE
TAX BASE	 <p>Employment income</p>	<p>Both the employer and the employee enrolled in the social security system are required to pay contributions.</p> <p>The rates generally applicable are 23.75% for employers and 11% (deducted at source from gross pay) for employees.</p>	<p>Paid until the 20th of every month, in respect to income earned on the previous month.</p>
	 <p>Business and freelancing services income</p>	<p>As a rule, only the self-employed worker is required to pay social security contributions, levied over 70% of the average monthly income generated on the preceding quarter (or the preceding year’s actual net income if the self-employed worker has organized accounts).</p> <p>The applicable rate is 21.4%.</p> <p>Currently (it is updated every year), the contribution has a minimum cap of € 1.690 (21,4%*658,22*12) and a maximum cap of € 13.522 (21,4%*5.265,72*12).</p> <p>There is an exemption on the first 12 months of activity.</p>	
	<p>As a rule, a worker (either employed or self-employed) is subject to the social security system of the place where they actually work from (even if remotely).</p>		







Portuguese Tax System

SS

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Get to know the key take-aways of the Portuguese Tax System in a strictly need-to-know basis.

- Portuguese CIT (called “IRC - *Impostos sobre o Rendimento das Pessoas Coletivas*”) is a **yearly tax levied over resident companies worldwide profit** or non-resident companies income deemed to be originated in Portugal.





		TAX RATES FOR RESIDENTS	DEADLINE
TAX BASE	 Business accounting profit	Flat nominal CIT tax rate of 17% over the first €25.000 of tax base (reliant on SME certification) and 21% over the remaining tax base.	CIT is Payable until the end of May with respect to income granted on the previous year.
	 Municipal surcharge	Up to 1,5%- Only if applicable	
	 State surcharge	Between 3% and 9%. over a tax base in excess of 1.5 million euro - Only if applicable	
	 Dividends Distributed	May be exempt if payable between companies (not if paid out to a individual shareholder).	
Alternatively, if the turnover is less than 200 thousand euro, the company may pay a simplified CIT (same tax rates but levied over a percentage of the gross turnover - percentage varies depending on the nature of the activity).			



Portuguese Tax System
CIT

Get to know the key take-aways of the Portuguese Tax System in a strictly need-to-know basis.

- Portuguese VAT (called “IVA - Imposto sobre o Valor Acrescentado”) is levied, as a rule, over the following transactions:
 - i. Supplies of goods and **supplies of services for consideration (including consulting)**;
 - ii. Importation of goods; and
 - iii. Intra-Community acquisitions of goods.




		TAX RATES	DEADLINE
TAX BASE	 Financial transactions	May be VAT exempt	Output VAT charged (after deducting Input VAT incurred) is usually payable to the Portuguese Treasury on a quarterly basis. The taxpayer may elect to pay on a monthly basis (mandatory if the turnover is higher than € 650.000 (VAT excluded)).
	 Services rendered to a business (not private clients/non-business) located in EU	VAT exempt	
	 Services rendered to third country (non-EU)	VAT exempt	
	 Transactions made in Portuguese Mainland	23% (intermediate and reduced rates of 13% and 6% respectively may also apply)	
The taxpayer may be able to recover, partially or totally, VAT charged over goods and supplies it acquires if it does so for the purpose of conducting a business that also charges VAT.			



Portuguese Tax System
VAT

Get to know the key take-aways of the Portuguese Tax System in a strictly need-to-know basis.

- The acquisition of a real estate property (or real estate rich companies) in Portugal will trigger PTT (called “*IMT - Imposto sobre a Transmissão Onerosa de Imóveis*”) and SD (called “*Imposto do Selo*”) at the level of the acquirer.

	TAX RATES	DEADLINE
 <p>PPT</p>	Maximum rate of 7,5% (assuming the property will be registered for habitation purposes) over the Property’s purchase price or its tax value at the time of the acquisition, whichever is the highest	Taxed upon the moment of the acquisition
 <p>SD</p>	0,8% over the Property’s purchase price or its tax value at the time of the acquisition, whichever is the highest.	
 <p>MPT</p>	Up to 0,45% depending on the municipality where the real estate property is located	Under €100, it will be due in May . From €100 to €500, it will be due in May and August . Above €500, it will be due in May, August and November .
<p>If the tax value of the property (assuming the property will be registered for habitation purposes) exceeds € 600.000, there will also be an MPT surcharge levied at a rate of 0,7% also over the tax value of real estate property.</p>		






Portuguese Tax System

Real Estate Tax

Get to know the key take-aways of the Portuguese Tax System in a strictly need-to-know basis.

- Here are the gift and wealth taxes currently in force in the Portuguese jurisdiction:

	TAX RATE	DEADLINE
 Inheritance and Gifts	<p>Stamp Duty (called “<i>Imposto do Selo</i>”) is levied at 10% over the tax value (in case of real estate properties) or market value (in case of other types of assets) of gifts and inheritances.</p> <p>However, there is a full exemption when the beneficiary of inheritance or gift is the spouse, ascendant or descendant of the donor or deceased.</p>	Taxed upon the moment of the transfer.
 Life Donations (of real estate properties)	<p>There is an Additional Stamp Duty of 0.8% over its tax value (meaning that in life donation of real estate properties are taxed at 10,8%, except if the beneficiary is the spouse, ascendant or descendant of the donor, in which case the tax rate will be reduced to 0,8%).</p>	
 Wealth Tax	Currently, Portugal does not have any net wealth/worth tax in place.	

Portuguese Tax System


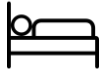



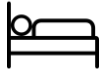



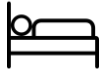



Gift and Wealth Taxes



Becoming a tax resident

Get to know how one becomes (tax) resident in Portugal.

- Although any person can voluntarily declare themselves a tax resident by declaring himself as such before any tax office (and obtaining a NIF as a resident), the PTA can only enforce such tax residency against a person's will once any of the following requirements are met:

 <p>Tax residency in Portugal</p>	<p>A person becomes a tax resident in Portugal by registering as such before the PTA or once <u>any</u> of the following events occurs :</p> <table border="0"><tr><td data-bbox="945 558 1276 711"><p>Stay more than 183 slept days in any period of 12 months¹</p></td><td data-bbox="1276 548 1569 686"><p>Have an habitual abode²</p></td><td data-bbox="1569 534 1888 711"><p>Be a crew member of a Portuguese ship or aircraft</p></td><td data-bbox="1888 534 2181 711"><p>Work for the Portuguese State</p></td></tr></table>	 <p>Stay more than 183 slept days in any period of 12 months¹</p>	 <p>Have an habitual abode²</p>	 <p>Be a crew member of a Portuguese ship or aircraft</p>	 <p>Work for the Portuguese State</p>
 <p>Stay more than 183 slept days in any period of 12 months¹</p>	 <p>Have an habitual abode²</p>	 <p>Be a crew member of a Portuguese ship or aircraft</p>	 <p>Work for the Portuguese State</p>		

¹ It is important to bear in mind that, upon completion of the 183 slept days, the taxpayer will retroactively be considered a tax resident since the first day of arrival in Portugal (meaning day 1). This could lead to the first year of residency being treated as a split year (meaning that the taxpayer will be considered non-resident for part of the year and resident for the other portion).

² A taxpayer is also considered tax resident in Portugal since the day of arrival if it has an habitual abode (meaning a residence that is used in such a way that it raises reasonable grounds for believing that it is intended to be used as an habitual abode). This basically works an anticipation of the tax resident status that would otherwise only be recognized upon completion of the 183 slept days criteria. It is very rare for the PTA to use this criteria coercively. It usually works as a way for a taxpayer to voluntarily anticipate its tax residency status.

- Even though the majority of the cases of enforced tax residency are established through the «183 slept days rule» it is important to note that the «habitual abode» criteria can also pose a serious risk, because if raised by the PTA, the burden of prove to discredit it will befall on the taxpayer.
- However, in the case of a Ukrainian citizen, it is important to take note of the following:

Ukrainian citizens that obtain a residence permit under the temporary protection program (TPS), will automatically become tax residents in Portugal from that day onward (and be given a NIF as a resident). More information [here](#).

This is a full fledged tax residency for all legal purposes, including those arising from the DTT between Portugal and the Ukraine.

There is no workaround to avoid this enforced (tax) residency.

Residence vs
Non-residence
Tax residency
criteria

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Stop being a tax resident

If a foreign citizen decides to cease his or her Portuguese tax residency, he or she can take advantage of the split year system to minimize Portuguese exposure on exit.



Residence vs Non-residence

Exit plan

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- Foreign citizens should keep in mind that Portugal does not have exit tax on personal income.
- Better yet, Portugal has a split year system, meaning:

Foreign citizens will only be considered resident in Portugal between the day of first arrival (although in practice the PTA just uses the day the NIF was given) and the date of final departure from Portugal (if accompanied by the registration before the PTA of the change of the Ukrainian citizen's status from resident to non-resident).

- To avoid split year abuse, on the year of departure the PTA may consider foreign citizens as a tax resident for the remaining calendar year if the following (cumulative) conditions are met:

1 Foreign citizens have stayed in the Portuguese territory for more than 183 days, consecutive or not, in that year.

and

2 Foreign citizens have obtained, during that year (after the date of departure from Portuguese territory), any income that would be taxable in Portugal if he maintained his residence status in Portugal for the full year (basically all foreign income).

- The aforementioned anti-split year abuse mechanism does not apply, if the following (alternate) conditions are met:

1 Foreign citizens have transferred their tax residence to an EU country.

or

2 Foreign citizens have transferred their tax residence to a country with PIT rates not lower than 60% of the PIT rates that would be applicable in Portugal.

Foreign citizens should be able to easily avoid any of anti-split year abuse mechanisms in place.

- Based on our experience, the PTA very rarely enforces anti-split year abuse mechanisms, specially for non-Portuguese nationals.
- In either case, foreign citizens can avoid this risk all together by doing one of two things:

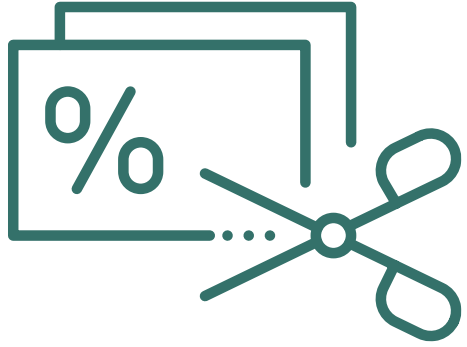
1. Transfer his tax residence to an EU country; or
2. Transfer to a non-EU country and, if questioned, argue that said income is taxable at rates not lower than 60% than the ones applied in Portugal (which, in our experience, the PTA will not bother to check unless it is a blacklisted jurisdiction).



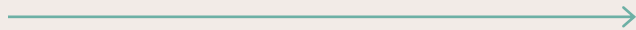
Residence vs
Non-residence

Exit plan

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Tax burdens under NHR



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




Obtaining NHR status

What are the requirements to obtain NHR status? Establishing a brand new tax residency in Portugal.

- The HNR status regime is a special PIT regime first introduced 2009 that is intentionally aimed at attracting expats to live and work in Portugal under more favorable tax conditions than those that would otherwise apply if said expat were to register as standard resident taxpayer.
- In order for a given taxpayer to qualify for NHR status, the following requirements have to be met:



Requirements

 <p>Establish tax residency in Portugal</p>	<p>First and foremost, in order to be eligible for NHR status, the taxpayer (over the age of 18) must become a tax resident in Portugal (not reliant on having a residence permit), which occurs by registering as such before the PTA after the occurrence of <u>one</u> of the following events:</p> <div style="display: flex; justify-content: space-around; align-items: center;"><div style="text-align: center;"><p>Stay more than 183 slept days in any period of 12 months¹</p></div><div style="text-align: center;"><p>Have an habitual abode²</p></div><div style="text-align: center;"><p>Be a crew member of a Portuguese ship or aircraft</p></div><div style="text-align: center;"><p>Work for the Portuguese State</p></div></div>
 <p>Not be considered tax resident in Portugal in the last 5 years</p>	<p>Secondly, in order to be eligible for NHR status, the tax payer cannot have been considered a tax resident in Portugal in the last 5 years³.</p> <p>In other words, the events listed above must not have occurred in the previous 5 years.</p>

¹ It is important to bear in mind that, upon completion of the 183 slept days, the taxpayer will retroactively be considered a tax resident since the first day of arrival in Portugal (meaning day 1). This could lead to the first year of residency being treated as a split year (meaning that the taxpayer will be considered non-resident for part of the year and resident for the other portion).

² A taxpayer is also considered tax resident in Portugal since the day of arrival if it has an habitual abode (meaning a residence that is used in such a way that it raises reasonable grounds for believing that it is intended to be used as an habitual abode). This basically works an anticipation of the tax resident status that would otherwise only be recognized upon completion of the 183 slept days criteria. It is very rare for the PTA to use this criteria coercively. It usually works as a way for a taxpayer to voluntarily anticipate its tax residency status.



³ Upon submission of the NHR request, the PTA will rely on its own taxpayer registration data (*cadastro*) to ascertain whether or not the tax payer has been considered a tax resident in Portugal in the previous 5 years. If the PTA has data that indicates that the taxpayer has been registered as a tax resident in the last 5 years, the taxpayer will have to prove otherwise, namely by providing a tax residency certificate issued by the Tax Authority of the Country where the taxpayer resided in the last 5 years.

How does one obtain NHR status? It is all done through the PTA's website after obtaining the NIF as a tax resident.

- In order for the NHR regime to produce its effects, the taxpayer who fulfils all the requirements mentioned previously must register himself/herself as NHR before the PTA.
- This is done up until (but could be done before) the end of March of the year following the one in which the tax residency is first established, as follows:



Paperwork

 <p>Register as a tax resident in Portugal</p>	<p>Firstly, to become a tax resident the taxpayer must register before the PTA, in order to obtain a NIF as a tax resident in Portugal.</p> <p>In case the taxpayer already has a NIF, but is registered as a non-resident, the taxpayer must first request before the PTA a change of address and resident status.</p> <p>For both purposes, the taxpayer should be able to provide the following documents:</p> <ul style="list-style-type: none">▪ Civil identification document or other legal equivalent;▪ Residence authorization card or equivalent document (not necessary if EU nationals¹).
 <p>Submit a request to register as an NHR</p>	<p>The request is submitted online (through the PTA's website) until March 31st of the year following the one in which the taxpayer becomes resident².</p> <p>The only data/info needed at this stage is the year starting from which the taxpayer wants to become an NHR and the Country where the taxpayer last resided.</p> <p>The remaining requirements (namely not be considered tax resident in Portugal on the last 5 years) is merely subject to a declaration of honor.</p>

¹ Non EU citizens must obtain a residence visa in order to be able to legally live in Portugal. However, the granting of the NHR status is not reliant on obtaining said residence visa.





² To be able to submit the request online, a password must first be requested (also through the PTA's website, which will be sent to the taxpayer's Portuguese address). Upon submission of the request, an attorney may be appointed to receive a copy of all notifications issued by the PTA in regard to the NHR status application.

The proceeding for granting NHR is currently very streamlined and fairly quick (a few weeks) if all goes well. If, however, the request is preliminarily denied, it can still be challenged.



Proceeding

- As long as the taxpayer is not register as a tax resident in Portugal in the last 5 years in accordance with PTA’s own taxpayer registration data (*cadastro*), the request should be granted fairly quickly (within a few weeks).
- Some complications may arise if there are some conflicting data in the taxpayer registration data, in which case additional documentation may be requested which may delay the granting of the NHR status (usually no longer than 3 months).
- Regarding the proceeding, taxpayers should bear in mind the following:












<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Approval</p> </div> <div style="text-align: center;">  <p>Disapproval</p> </div> </div> <div style="text-align: center; margin-top: 20px;">  <p>Decision to the request to register as an NHR</p> </div>	<p>The request may be approved or disapproved.</p> <ul style="list-style-type: none"> If disapproved: <ul style="list-style-type: none"> The taxpayer (and its Attorney) will be notified of a draft decision stating what are the reasons why the request is being denied. The taxpayer then has 15 days to present its allegations and additional documentation if needed. The whole process may take between 1 to 3 months depending on the complexity of the case. If approved: <ul style="list-style-type: none"> The taxpayer will be notified of the favorable decision and be granted the NHR status with retroactive effect since the first day of arrival in Portugal (i.e. day 1 of the 183 slept days in a given 12 month period).
<div style="text-align: center;">  <p>Tax Form L</p> </div>	<ul style="list-style-type: none"> If the taxpayer conducts a high value-added activity (entitled to a 20% special tax rate) it needs to submit a Form L with the yearly PIT return and declare which high value-added activity is being rendered. Conducting a high value-added activity is not a requirement to the NHR, but merely a plus. After submitting the Form L, the PTA may request proof that the taxpayer does indeed carry a high value-added activity (namely a copy of the labour or services agreement and its registration before social security).



Tax advantages of the NHR

What are the main advantages of having an NHR status? A lower PIT tax rate on high-value added activities (20% flat) and a full exemption on some types of foreign income. No benefits regarding Social Security!

- Since its conception in 2009, the tax advantages associated with the HNR status regime have only been revised three times. Firstly, to disallow its renovation after the maximum 10-year duration (2012), secondly to revise the list of eligible value-added activities (2019) and thirdly to withdraw the exemption over foreign pension in favor of a 10% flat rate (2020).
- Based on recent public declarations made by the Prime Minister of Portugal, a fourth revision may be introduced in coming years to allow digital nomads to be qualified as conducting value-added activities.
- As they stand, the tax advantages associated with the NHR regime can be summarized as follows:

 <p>Lower tax rate on some types of income</p>	<ul style="list-style-type: none"> ▪ The following types of income, when derived from a <u>high value-added activity</u>, benefit from a lower tax rate (20% flat rate): <ul style="list-style-type: none">  Employment income  Business income  Professional income ▪ The following type of income benefits from a lower tax rate (10% flat rate) <u>when originated outside Portugal</u>. <ul style="list-style-type: none">  Pensions
 <p>Foreign income exemption</p>	<ul style="list-style-type: none"> ▪ Tax exemption, with limitations, for some types of income when originated from outside Portugal, namely (but not limited to) the following: <ul style="list-style-type: none">  Capital income  Lease income  Real estate sale  High-value added activity business and professional income
 <p>Duration</p>	<ul style="list-style-type: none"> ▪ NHR status is granted during a 10-year period (non extendable).



Tax Advantages Overview

Let's look at the what are the current high value-added activities.

- These are the current general¹ categories of eligible high value-added activities, based of CPP index^{2 3} :

CPP	Description
112	General director and executive manager, of companies
12	Directors of administrative and commercial services
13	Production and specialized services managers
14	Hotel, restaurant, trade and other service managers
21	Physical, mathematical, engineering and related technical specialists
221	Medical doctors
2261	Dentists and stomatologists
231	University and higher education teachers
25	Specialists in information and communication technologies (ICT)
264	Authors, journalists, and linguists
265	Creative and performing artists
31	Technicians and science and engineering professions, intermediate level
35	Information and communication technology technicians
61	Market-oriented skilled agricultural and animal production workers
62	Market-oriented skilled forestry, fishery and hunting workers
7	Skilled industrial, construction and crafts workers
8	Plant and machine operators and assembly workers, namely plant and machine operators

¹ Each one splits into other subcategories, which may cover other activities whose inclusion in the general category may not be obvious, as such a more in-depth analysis should be made when the taxpayer has a clearer understanding of the activity it is going to be rendering in Portugal - if any.

² The full list may be consulted in the following document (sadly only in Portuguese): <https://dre.pt/application/conteudo/2521028>. Full explanation notes here: https://www.ine.pt/ngt_server/attachfileu.jsp?look_parentBoui=107962055&att_display=n&att_download=y

³ Workers engaged in the above professional activities must have at least level 4 of the European Qualifications Framework or level 35 of the International Standard Classification of Education or have at least five years of duly proven professional experience



Tax Advantages Overview









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PIT taxation under **NHR**

Let's look at the how the NHR status works regarding active income (meaning employment, business and professional income), both when originated in Portugal, as well as when originated outside Portugal.

- For employed labour, the best way to summarize the applicable tax framework is as follows:

	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
 Non-high value added employed labour	Progressive taxation - 14,5% - 53%	<ul style="list-style-type: none"> ▪ Gross income, minus (with some limitations): <ul style="list-style-type: none"> ▪ Social security contributions (automatic minimum deduction of € 4.104); ▪ Trade union contributions (raised by 50%, but capped at 1% of the gross income); ▪ Indemnity payments made out to the employer. ▪ In addition, there are also general deductions applicable to the overall PIT tax computed (“deduções à coleta”). 	Progressive taxation - 14,5% - 53%	<ul style="list-style-type: none"> ▪ If employment income was subject to taxation in the source country, there will be no taxation in Portugal (i.e. it is exempt). ▪ However, this is a rare occurrence since it relies on actual physical presence in the country of source.
 High value added employed labour	20% (flat tax)		20% (flat tax)	<ul style="list-style-type: none"> ▪ Alternatively, the taxpayer may opt to obtain foreign tax credit (i.e. foreign tax is deducted, with some limitations, against tax paid in Portugal). ▪ In said case, the tax paid in Portugal will have the same tax base and rate as if originated in Portugal.











PIT Taxation
Active income
Employment

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The real advantage of the NHR on active income is clearly for employed labour (salary income) or self-employed (business and professional income) derived from a high value-added activity.

- For self-employed (business and professional income), the best way to summarize the applicable tax framework is as follows:

	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
	  Non-high value added self-employed labour or business	Progressive taxation - 14,5% - 53%	<ul style="list-style-type: none"> For simplified regime: <ul style="list-style-type: none"> Gross income, minus an automatic deduction (will depend on the nature of the actual activity, but the minimum automatic deduction is 10% of the gross income). For accounting regime: <ul style="list-style-type: none"> Accounting profit (tax adjusted according to CIT rules). In addition, there are also general deductions applicable to the overall PIT tax computed (“deduções à coleta”). 	Progressive taxation - 14,5% - 53%










PIT Taxation
Active income
Self-employment

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The real advantage of the NHR on active income is clearly for employed labour (salary income) or self-employed (business and professional income) derived from a high value-added activity.

- For self-employed (business and professional income), the best way to summarize the applicable tax framework is as follows:

	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
 High value added self-employed labour or business	20% (flat tax)	<ul style="list-style-type: none"> For simplified regime: <ul style="list-style-type: none"> Gross income, minus an automatic deduction (will depend on the nature of the actual activity, but the minimum automatic deduction is 10% of the gross income). For accounting regime: <ul style="list-style-type: none"> Accounting profit (tax adjusted according to CIT rules). In addition, there are also general deductions applicable to the overall PIT tax computed (“deduções à coleta”). 	20% (flat tax)	<ul style="list-style-type: none"> Exempted if taxable in the source country (not usually the case in light of the applicable double tax treaty or OECD Model convention - meaning that this exemption will rarely apply, unless the taxpayer has some type of physical presence in the source country). In said case, the tax paid in Portugal will have the same tax base and rate as if originated in Portugal.



PIT Taxation








Active income

Self-employment

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Now let's look at the how the NHR status works regarding passive income (meaning capital/real estate income/gains), both when originated in Portugal, as well as when originated outside Portugal.

- For **capital income** (e.g. dividends, interest and royalties), the best way to summarize the applicable tax framework is as follows:








	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
 Capital income	28% (flat tax) Taxpayer may elect to subject the income to progressive taxation - 7,5% - 26,5% (for dividends) and 14,5% - 53% (for other types of capital income)	<ul style="list-style-type: none"> Gross income. 	N/A	<ul style="list-style-type: none"> If the capital income is taxable in the source country (usually the case in light of the applicable double tax treaty or OECD Model convention), there will be no taxation in Portugal (i.e. it is exempt). The taxpayer may opt, in any case, to avoid double taxation through foreign tax credit (i.e. foreign tax is deducted, with some limitations, against tax paid in Portugal). In said case, the tax paid in Portugal will have the same tax base and rate as if originated in Portugal.



PIT Taxation
Passive income
Capital income

Now let's look at the how the NHR status works regarding passive income (meaning capital/real estate income/gains), both when originated in Portugal, as well as when originated outside Portugal.

- For **capital gains** (e.g. sale of shares), the best way to summarize the applicable tax framework is as follows:








	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
 Capital gains	28% (flat tax) Taxpayer may elect to subject the income to progressive taxation - 14,5% - 53%	<ul style="list-style-type: none"> ▪ Capital gain derived from the sale (in simple terms, the difference between the sale price and the acquisition price, including taxes incurred in the acquisition, adjusted to currency devaluation if acquired more than 2 years prior). 	28% (flat tax) Taxpayer may elect to subject the income to progressive taxation - 14,5% - 53%	<ul style="list-style-type: none"> ▪ If the capital gain is taxable in the source country (sadly, not usually the case in light of the applicable double tax treaty or OECD Model convention), there will be no taxation in Portugal (i.e. it is exempt). ▪ The taxpayer may opt, in any case, to avoid double taxation through foreign tax credit (i.e. foreign tax is deducted, with some limitations, against tax paid in Portugal). ▪ In said case, the tax paid in Portugal will have the same tax base and rate as if originated in Portugal.



PIT Taxation
Passive income
Capital gains

Now let's look at the how the NHR status works regarding passive income (meaning capital/real estate income/gains), both when originated in Portugal, as well as when originated outside Portugal.

- For rental income, the best way to summarize the applicable tax framework is as follows:








	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
 Rental income	28% (flat tax) Taxpayer may elect to subject the income to progressive taxation - 14,5% - 53%	<ul style="list-style-type: none"> Gross rental income, minus: <ul style="list-style-type: none"> Municipal taxes; Maintenance and conservation expenses of the buildings; Condominium expenses. This means that the following are non-deductible expenses: <ul style="list-style-type: none"> Expenses of a financial nature; Depreciation expenses; Furniture, appliances and articles of comfort or decoration. In addition, there are also general deductions applicable to the overall PIT tax computed (“deduções à coleta”). 	N/A	<ul style="list-style-type: none"> If the rental income is taxable in the source country (usually the case in light of the applicable double tax treaty or OECD Model convention), there will be no taxation in Portugal (i.e. it is exempt). The taxpayer may opt, in any case, to avoid double taxation through foreign tax credit (i.e. foreign tax is deducted, with some limitations, against tax paid in Portugal). In said case, the tax paid in Portugal will have the same tax base and rate as if originated in Portugal.



PIT Taxation
Passive income
Rental income

Now let's look at the how the NHR status works regarding passive income (meaning capital/real estate income/gains), both when originated in Portugal, as well as when originated outside Portugal.

- For real estate gains (e.g. gains from the sale of real estate), the best way to summarize the applicable tax framework is as follows:

	 If originated in Portugal		 If originated outside Portugal	
	 Tax rate	 Tax base	 Tax rate	 Tax base
 Real estate sale	Subject to progressive taxation - 7,5% - 26,5%	<ul style="list-style-type: none"> Capital gain derived from the sale (in simple terms, the difference between the sale price and the acquisition price, including taxes incurred in the acquisition, adjusted to currency devaluation if acquired more than 2 years prior). 	N/A	<ul style="list-style-type: none"> If the real estate sale is taxable in the source country (usually the case in light of the applicable double tax treaty or OECD Model convention), there will be no taxation in Portugal (i.e. it is exempt). The taxpayer may opt, in any case, to avoid double taxation through foreign tax credit (i.e. foreign tax is deducted, with some limitations, against tax paid in Portugal). In said case, the tax paid in Portugal will have the same tax base and rate as if originated in Portugal.



PIT Taxation
 Passive income
 Rental estate gains



Other tax issues to keep in mind



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«E-fatura»: Available **tax** **allowances** under Portuguese PIT

What tax credits and allowances are available to resident taxpayers?

- By giving out the NIF number on purchases of goods and services (system called «e-fatura»), resident taxpayers may gain access to the following available tax credits and tax allowances provided to tax residents, please take into account the following non-exhaustive list of tax credits and tax allowances in 2022 (they may suffer some changes at any time):

Tax credit or allowance	Overview
 <p>Child allowance</p>	<ul style="list-style-type: none"> A fixed amount of € 600 and € 525, respectively, per dependant and ascendant living in the same household and who does not receive income higher than the minimum pension payable under the general regime. These amounts are increased by € 126 and € 110, respectively, for each dependant under three years of age by 31 December or if there is only one ascendant (this additional deduction for dependants is increased to € 300 and € 150, respectively, applicable to the second and following dependants, regardless of the age of the oldest dependant).
 <p>General household expenses</p>	<ul style="list-style-type: none"> General household expenses, corresponding to 35% of the amount of expenses incurred by any member of the household, limited to € 250 per taxpayer (in case of joint tax returns, the limit is € 500), whose taxpayer number is included in invoices for services or goods acquired in any sector of activity, provided these expenses are communicated to the Portuguese tax authorities.
 <p>Health expenses</p>	<ul style="list-style-type: none"> 15% of non-reimbursed health expenses exempt from VAT, or subject to VAT at a rate of 6%, communicated to the Portuguese tax authorities (by providing the relevant taxpayer number upon issuance of the invoice), up to a limit of € 1.000
 <p>VAT on specific goods and services</p>	<ul style="list-style-type: none"> 15% of the VAT incurred by any household member, included on invoices communicated to the Portuguese tax authorities, with a global limit of € 250, for services acquired in any of the following activity sectors: <ul style="list-style-type: none"> Maintenance and repair of motor vehicles, motorcycles, and related parts and accessories. Accommodation, restaurants, and similar food service activities. Hairdressers and beauty salons. Veterinary expenses. Sports and recreational activities, sports club, and gyms/fitness club expenses.



Available tax allowances under Portuguese PIT




BELIM CASTILHO

What tax credits and allowances are available to Mr. Shvydkyi?



Available tax allowances under Portuguese PIT

BELIM
CASTILHO

Tax credit or allowance	Overview
 <p>Education expenses</p>	<ul style="list-style-type: none"> 30% of the amount of expenses incurred in the education of any member of the household with a global limit of € 800. Expenses with rented property, per member of the household aged 25 or under and who attends a recognised educational establishment located more than 50 km from the permanent residence of the household, with limit of € 300. If there are simultaneously these expenses, the limit is € 1.000 instead of € 800.
 <p>Retirement saving plans</p>	<ul style="list-style-type: none"> 20% of contributions to individual retirement saving plans (called “<i>Plano Poupança Reforma</i>”), with the following limits: <ul style="list-style-type: none"> For taxpayers younger than 35 years old: € 400. For taxpayers between 35 and 50 years old: € 350. For taxpayers older than 50 years old: € 300.
 <p>Public capitalisation regime</p>	<ul style="list-style-type: none"> 20% of contributions made to individual accounts managed under a public capitalisation regime, with the following limits: <ul style="list-style-type: none"> For taxpayers younger than 35 years old: € 400. For taxpayers older than 35 years old: € 350.

- However, there is a global cap (limit) to all these tax credits and allowances (except child allowance and general household expenses), which is the following:

Taxable income	Global cap to tax credits and allowances*
<ul style="list-style-type: none"> Up to € 7.112 	<ul style="list-style-type: none"> Unlimited.
<ul style="list-style-type: none"> Between € 7.112 and € 80.882 	<ul style="list-style-type: none"> The limit (between € 2.500 and € 1.000) is provided by the following formula: $€ 1,000 + [(2,500 - 1,000) * [(80,882 - \text{taxable income}) / (80,882 - 7,112)]]$
<ul style="list-style-type: none"> More than € 80.882 	<ul style="list-style-type: none"> € 1.000

*For households with three or more dependants, this limit is increased by 5% for each dependant not subject to PIT.



Avenida da República,
n.º 6, 7-º Esq.
1050-191

Lisbon,
Portugal



(+351) 211 582 280



communications@belimcastilho.pt

BELIM CASTILHO

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