



## Automatic “IRS” Reporting

The Portuguese Tax Authority (“AT”) is making available Automatic IRS Reporting to million of taxpayers in Portugal. The change is part of “Simplex”, a programme designed to reduce bureaucracy at all levels of government.

The move has many similarities to “PAYE” (Pay-As-You-Earn) in the United Kingdom where taxpayers do not have to file an annual tax return when all information regarding an individual’s income and expenses is already available to the Revenue.

Finanças lists the following information on its website for individuals to verify:

- A provisional declaration of income, one for each reporting status (separate or joint in the case of married or cohabiting taxpayers);
- Provisional settlement of tax corresponding to each provisional declaration; and
- The elements that served as the basis for the calculation of tax deductions.

The taxpayers can verify to see that the provisional declarations reflect accurately their circumstances. In the event of missing personal data on record, Finanças will assume that the taxpayer is unmarried and without dependents, with no deductions in the provisional declaration for minor dependents and ascendants.

If the information provided by Finanças is not correct, taxpayers should not confirm the pre-filled information, but rather complete the IRS as in previous years.



In the event of confirmation of the provisional declaration, it will stand as a taxpayer's submission and the provisional liquidation becomes definitive. If left unconfirmed, the submission automatically becomes final at the end of the reporting period (31 May).

The taxpayer can also appeal any detected errors, as well as submit a substitute declaration within 30 days after tax settlement, without incurring penalties.

Automatic Reporting is not mandatory. Taxpayers may elect to complete a IRS declaration as they have in previous years if they so wish.

This new automatic method should be expanded progressively to other taxpayers with other categories of income in the coming years.

### **Current Requirements**

The Automatic Reporting applies to taxpayers who cumulatively meet all of the following conditions:

1. No dependents nor the right to deductions for ascendants living with the taxpayer;
2. Resident in Portugal throughout the fiscal year;
3. Not attributed Non-Habitual Resident status;
4. All income earned only in Portugal;
5. Only those earning income from categories A and / or H as well as taxable income assessed at autonomous rates and not electing, where permitted, aggregate assessment;
6. Not paying alimony or child support;
7. Not receiving tax breaks ("*benefícios fiscais*");
8. Without the right to deductions for:
  - a) Dependents or ascendants living with the taxpayer;
  - b) Maintenance payments regarding disabled persons;
  - c) By double international taxation;
  - d) Tax breaks ("*benefícios fiscais*").



Taxpayers not covered by the Automatic Reporting and taxpayers whose tax situation does not correspond to the provisional declaration of income provided by the AT, must submit Modelo 3 and the appropriate annexes, if not already exempt from this obligation.

In practice, the initial application Automatic Reporting applies only to the simplest IRS filing cases, leaving out the more complicated tax circumstances.

### **Other cases exempt from filing**

Besides those taxpayers covered by the Automatic Reporting, there are other cases that, due to the nature of the income, are exempt from filing an IRS income tax return for fiscal year 2016.

- Salaries or pensions under 8,500 euros;
- With only autonomous final assessment;
- Subsidies from the Common Agricultural Policy;
- “Isolated Acts” up to €1,676.

***Note:** As the vast majority of foreign residents receive at least some form of income from abroad, Automatic Reporting rarely applies.*