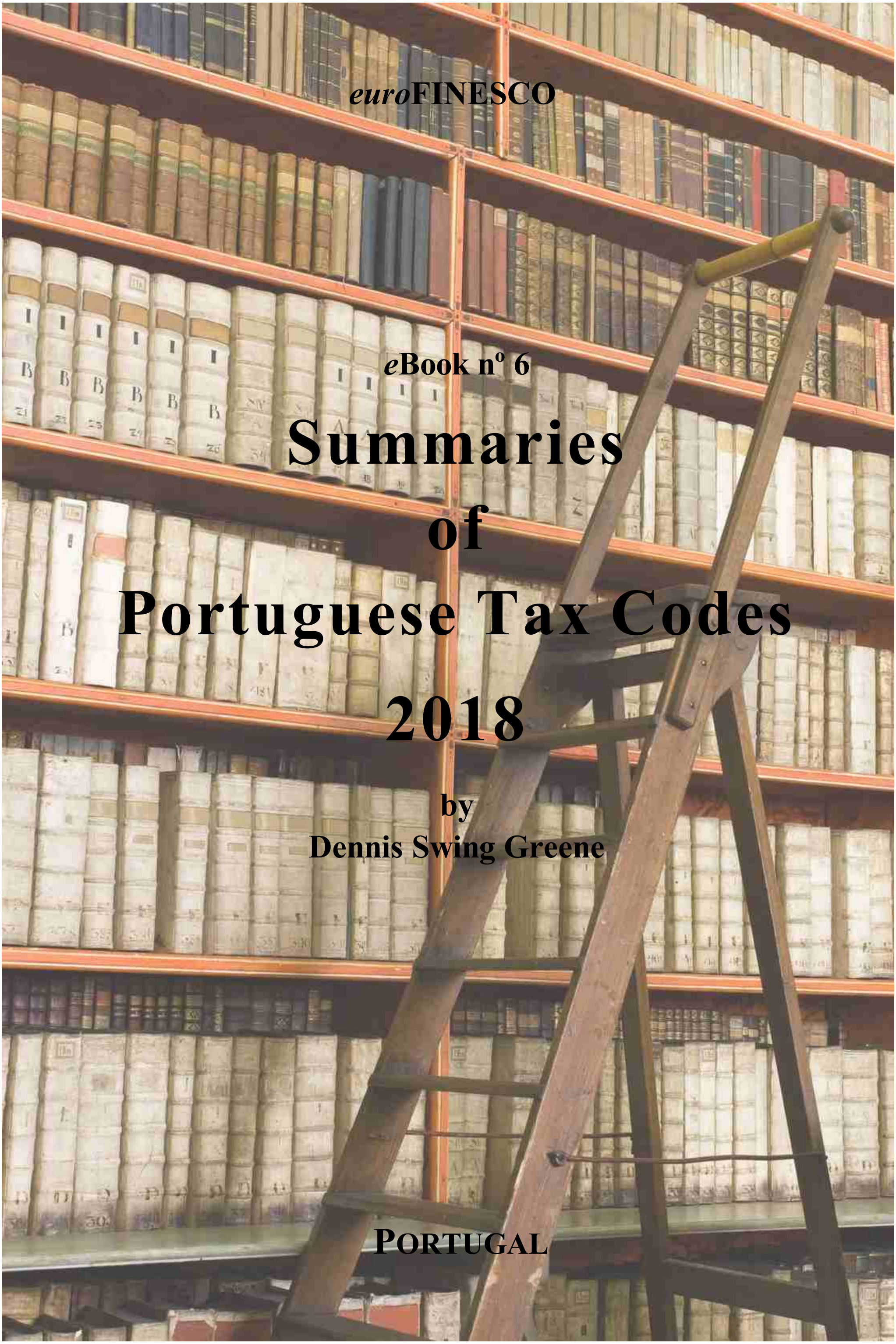

*euro*FINESCO

*e*Book nº 6

Summaries of Portuguese Tax Codes 2018

by

Dennis Swing Greene

PORTUGAL

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At ***euro*FINESCO**, we take pride in being a frontrunner in fiscal and expatriate services in Portugal, playing a leading role in interpreting Portuguese fiscal legislation as plain English for the foreign resident community since 1991.

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- Fiscal Residency Transitions to Portugal
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PERSONAL TAX PREPARATION

The Portuguese tax system offers surprising opportunities to the foreign resident. When properly prepared, Portugal can prove to be a "tax haven within Europe" for you.

PORTUGUESE "*IRS*" INCOME TAX RETURNS

FINESCO specializes in helping foreign residents by preparing their annual Portuguese *IRS* Income Tax Returns.

NOMINEE COMPANIES FOR PORTUGUESE PROPERTY

- Meeting basic compulsory compliance commitments;
- Liaison between *Finanças* and Company Owners.
- Resourcing information to Owners;

Fiscal Representation

- Protecting your Valuable Investment
- Meeting Compliance Requirements
- Resourcing Key Information
- Liaison with *Finanças*
- Personalised Service
- Payment Facility
- Plain English

Documentation

We can assist you by cutting through the bureaucracy:

- *“Residências”*
- Portuguese Wills
- Driving Licences
- Rates Exemptions
- Car Importations
- Fiscal Numbers
- Medical Cards

Small Business Formation

We can help expatriates launch new businesses in Portugal:

- Choosing the right structure
- Accountancy Services
- Social Security & VAT

Portugal is a member of the OECD and, since the middle of the nineteen eighties, a full member of the European Union. Like other member states, Portuguese tax laws and regulations are strongly influenced by this international environment, namely through the harmonization led by EU Directives. In addition, Portugal has entered into bilateral tax treaties with more than forty different countries around the world.

Like most European Union states, rather than having a single tax code, Portugal has multiple tax laws. Taxes are levied by the National Assembly (*Assembleia da Repúbica*) that has exclusive competence to legislate on all the material and fundamental aspects concerning taxes, such as its imposition, rates and benefits. Tax laws are officially published at the Portuguese National Gazette (*Diário da República*).

Despite the fact that, according to the law, the Portuguese Parliament and the Government are the only two competent entities for issuing tax laws, tax authorities are also legally entitled to issue internal rulings concerning the interpretation and application of such laws. These rules, which are mandatory for the tax authorities, are not usually published and available to the general public.

European Tax Harmonization

The European Commission's tax policy strategy was most recently set out in a Communication on "Tax policy in the European Union".

The Commission in this communiqué reiterated its belief that there is no need for an across-the-board harmonisation of Member States' tax systems. Provided that they respect Community rules, Member States are free to choose the tax systems that they consider most appropriate and according to their preferences. In addition, any proposal for Community action in the tax field would take full account of the principles of subsidiarity and proportionality. There should only be action at EU level where action by individual Member States could not provide an effective solution. Many tax problems might, in fact, simply require better co-ordination of national policies.

This focus on the taxpayer was linked to the Commission's general objective of ensuring that tax policy supports wider EU policy goals, such as those established at the Lisbon European Council of March 2000 of making the Union the most competitive and dynamic knowledge-based economy in the world by 2010 and EU objectives in the environmental and energy areas. Increased tax policy co-ordination would help Member States to meet these objectives.

The Commission has since presented options for co-ordinated action to tackle tax obstacles and inefficiencies in the company tax, VAT, excise duties, and car tax areas. The Commission has also, as the Communication announced, become more pro-active in taking legal action where Member States' national tax rules or practices do not comply with the Treaty.

The Commission considers that retaining unanimity for all taxation decisions will make it difficult to achieve any of the tax co-ordination necessary for Europe and has made proposals for a move to qualified majority voting in certain tax areas.

In addition, the Commission has started to make more use of non-binding approaches such as recommendations instead of legislative proposals where appropriate, as a way of making progress in the tax field. The route of closer co-operation between sub-groups of like-minded Member States is also being explored.

The following guidelines are intended only as a summary of the principal forms of taxation in Portugal. Tax laws and regulations change frequently and sometimes unexpectedly. Before taking action, it is strongly recommended that you seek professional advice.

INDIVIDUAL INCOME TAX *("IRS")* is levied on the annual amount of worldwide income, after allowable deductions, allowances and tax credits. The tax year corresponds to the calender year: 01 January - 31 December.

Category A:	Earned Income from Employment
Category B:	Income from Self-Employment, Business, Industrial and Agricultural Income
Category E:	Investment Income
Category F:	Income from Real Estate
Category G:	Capital Gains
Category H:	Pensions
Category I:	Other Income

Everyone with income from any of these categories is required to submit a tax declaration with the exception of those having only wages or pensions below the "minimum wage".

When and Where to File

Modelo 3 must be completed as well as the respective Annexes to report individual categories of income. Of special note is the requirement to file a special Annex (J) to report any type of income from outside of Portugal. Income tax returns should be filed in any Fiscal Office or filing station; or by post to the district Fiscal Office in which the taxpayer is resident.

Income tax returns can be made over the Internet. (This service is not currently available to those reporting foreign income). Consult the following site:

http://www.portaldasfinancas.gov.pt

The filing periods for *Modelo 3* are as follows:

a) from 01 April - 31 May for all sources of income.. As of 2018, there paper forms are no longer in use. All reporting must be done electronically via the Internet. Local Tax Offices will assist taxpayers who are not able to declare digitally.
b) within 30 days of any change in income of a previously declared tax year.

At the time of presentation, fiscal identification number (*"NIF" - número de contribuinte*) must be presented by the taxpayer(s) and any dependent(s) whose income is included in the return.

Documents issued by paying or owing entities, as well as supporting documents to support reported values need not be presented when submitting a tax return, nor will they be verified at that time, except in the case of clarifying the legality of a claim or dispelling doubts concerning proper completion of the forms. The Tax Authorities *(DGCI - Direcção Geral dos Impostos)* may notify a taxpayer to present supporting documentation whenever deemed necessary. Records must be kept during a five year period following the tax year.

TAX RESIDENCE

Tax residence is factually determined and a person is deemed to be tax resident if 1) physically present in Portugal for more than 183 days in a calendar year; or 2) physically present in Portugal for less than 183 days but has established a permanent place of residence at the year end. If an individual owns a dwelling in Portugal that the tax authorities might reasonably assume to be his or her habitual residence, the individual generally is considered resident for tax purposes for that fiscal year. If the head of a family is resident in Portugal, other family members may also considered to be resident there, even if actually living abroad. However, if the foreign country has a tax treaty with Portugal, the treaty contains rules to decide in which of the two countries an individual is resident.

Once a Residence Permit (*Residência*) is granted, one is deemed to be resident whether physically present or not in Portugal. The *Serviço de Estrangeiros e Fronteiras* (*"SEF"*) is insisting with greater frequency that *IRS* tax declarations be presented for *Residência* renewals as proof of means. If a Portuguese national changes his residence to a blacklisted tax haven, he continues to be considered resident in Portugal for the following four years.

NON-HABITUAL RESIDENTS

Taxpayers who have become residents for tax purposes, but have not been subject to IRS as residents in the preceding five years, may be considered non-habitual residents in Portuguese territory. Under these terms, non-habitual residents obtain the right to be taxed as such for a period of 10 consecutive years (renewable). Each year, taxpayers will be considered tax residents for *IRS* purposes.

Taxpayers must apply for this status via the Internet.

Non-Habitual Residents are liable to *IRS* on their net employment and self-employment income from "high value-added activities" at the flat tax rate of 20%. Foreign-source income may be exempt under certain conditions.

NON-RESIDENTS

In the case of a *non-resident*, *IRS* shall be levied only on income derived within the Portuguese territory, normally at the rate of 25%, with the exception of income from long-term rental contracts assessable at the rate of 28%. Non-residents are, in general, subject to a withholding tax which represents a final payment. In such cases, they are not required to file a tax return. However, if non-resident individuals is in receipt of income from capital gains on Portuguese real estate, they are obliged to file tax returns.

INDIVIDUAL TAXABLE INCOME

Net taxable income is arrived at by reducing taxable income by personal tax deductions. (Certain types of income are subject to specific tax incentives.) The tax liability is calculated by reference to tax rates tables, and reduced by tax credits.

Mainland 2018

TAX RATE	Taxable Income	Tax Band Adjustment
14.5%	0 - € 7 091	-
23%	€ 7 091 - € 10 700	€ 602.74
28.5%	€ 10 700 - € 20 261	€ 1 191.24
35%	€ 20 261 - € 25 000	€ 2,508.20
37%	€ 25 000 - € 36 856	€ 3 008.20
45%	€ 36 856 - € 80 640	€ 5 956.68
48%	> € 80 640	€ 8 375.88

Azores 2018

Tax Rate	Taxable Income	Tax Band Adjustment
12.41%	0 - € 7 091	-
23%	€ 7 091 - € 10 700	€ 750.94
28.5%	€ 10 70 - € 20 261	€ 4 339.44
35%	€ 20 261 - €25 000	€ 2 656.40
37%	€ 25 000 - €36 856	€ 3 156.40
45%	€36 856 - €80 640	€ 6 104.88
48%	> €80 640	€8 524.08

Madeira 2018

TAX RATE	Taxable Income	Tax Band Adjustment
14.5%	0 - €7 091	-
23%	€7 091 - €10 700	€ 503.46
28.5%	€10 700 - €20 261	€ 944.84
35%	€20 261 - €25 000	€ 2 287.13
37%	€25 000 - € 36 856	€ 2 687.13
45%	€ 36 856 - € 80 640	€ 5045.91
48%	> € 80 640	€ 6 981.27

Tax Adjustments:

There are many tax breaks that can reduce or eliminate tax owed.

a) **Deductions** (reducing taxable income):

Currently there are no Tax Deductions.

b) **Personal & Family Tax Credits** (reducing tax owed)

CREDIT FOR EACH...	AMOUNT
COUPLES	n.a.*
SINGLE or legally separated	n.a.*
SINGLE PARENT FAMILY	n.a.*
EACH DEPENDENT CHILD	€600
EACH DEPENDENT CHILD: under age 3 (on31/12)	€750
SENIOR DEPENDENTS with income not exceeding minimum Social Security pension.	€525
HANDICAPPED DEPENDENTS	€1 187.50

c) **Tax Credits for Qualifying Expenditures** (reducing tax owed):

	Description	*Limit per person*
15%	Medical Expenses & Health Insurance	€1 000
20%	Retirement saving plans (PPR)	€600 - €800
	Public capitalization regime	€350
	Alimony / Child Support	no limit
25%	Nursing care	€403.75
	Donations - State	no limit
	Donations - other entities	up to 15% of tax due
30%	Education	€800

* *for each dependent, the limits are increased by €25.*

INTEREST
Interest from Portuguese banks are subject to a 28% withholding tax and need not be declared. Interest from abroad is reported and assessed at 28%.

DIVIDENDS
Dividends are assessed at 28%. Resident companies are subject to 28% withholding at source. When aggregated with other income, 50% of the gross dividend is excluded. The balance is assessed at marginal rates. Aggregated dividends from EU companies may also exclude 50%.

CAPITAL GAINS
IRS is levied on the following capital gains to the extent they are not considered to be commercial, industrial, agricultural or capital income:

- Gains from the sale or rights to immovable property: *50% of net gain at marginal rates*. Necessary expenses are deductable as are Capital Improvement in the 12 years prior to sale.
  Proceeds from the sale of one's principle residence are exempt when reinvested in a new home two years prior or up to three years after the sale. Partial re-investments are exempt on a *pro rata* basis.
- Capital Gains Tax on Shares: 28%. There is an exclusion of 50% on sale of shares of micro and small companies.

RENTAL INCOME
Flat rate tax of 28% or marginal rates when aggregated (residents only).

ALLOWANCES
Different categories of income have their specific allowance:
- *Salaries* - €4 104 or the value of Social Security contributions;
- *Self-Employed* - €4 104 and exclusions in the Simplified Regime;
- *Income from Capital* - Autonomous or aggregated reporting option;
- *Rental Income* - all necessary expenses to conduct the activity;
- *Capital Gains* - 50% exclusion on Capital Gains from immoveable property; shares of micro & small companies have a 50% exemption
- *Pensions* - €4 104

TAX PAYMENT DATES
Income tax is due within one month of the issue of a demand by the Tax Authorities.

CORPORATE INCOME TAX ("IRC") is levied on:

- Corporate entities with their head-office or effective management in Portuguese territory, which are deemed to be resident;
- Unincorporated entities with their head-office or effective management in Portuguese territory deemed to be resident;
- Incorporated or unincorporated entities without their head-office or effective management in Portuguese territory (deemed to be non-resident) deriving income in Portugal.

TAXABLE BASE

a) Resident entities:

I) If they exercise as their main activity a commercial, industrial or agricultural activity, the tax base is the profit.

ii) If they do not exercise as their main activity a commercial, industrial or agricultural activity, the tax base is formed by the overall income.

b) Non-Resident entities:

I) If they have a permanent establishment in Portuguese territory, the taxable base is made up of the profit attributable to that permanent establishment;

ii) If they have no permanent establishment in Portuguese territory, the taxable base is made up of incomes of different categories separately considered for IRS purposes.

c) Offshore Property Companies:

Since 2002, various fiscal measures have been introduced regarding Offshore Property Companies. In addition, companies domiciled in tax havens are not eligible for tax breaks. These "offshore" entities will also be assigned a "presumed" minimum income, based in this case on 1/15th of the *"Valor Matriz"* (assessed rateable value). Corporate Income Tax (*"IRC"*), as well as all necessary filing obligations, are due.

To further clarify these measures, the Government periodically updates its “Black List” of Offshore havens and has defined a registration process for self-identification of non-resident companies.

EXTENSION OF TAX LIABILITY

Resident entities are liable to “IRC” on a total liability base, that is to say, on the world-wide income from Portuguese and foreign sources. Non-resident entities are liable to tax in terms of real liability, in other words, only on income from Portuguese sources:

a) Income in respect of immovable property situated in Portuguese territory, gains from the sale or transfer of such property, are assessable;

b) Gains from the transfer of shares in the capital of an entity having its head-office or effective management within Portuguese territory or other marketable securities issued by an entity with its head-office or effective management therein are assessable;

c) Income referred to below where the entity has its domicile, head-office or effective management in Portuguese territory or the payment of which is attributable to a permanent establishment therein is assessable:

- Income from intellectual or industrial property; from information in connection with industrial, commercial or scientific issues;
- Income from the use or the right to use agricultural, industrial, commercial or scientific equipment;
- Income from technical assistance;
- Other income from capital investment;
- Remuneration received as a member of a statutory body of a corporate entity;
- Winnings from gambling, lotteries and betting;
- Income from agency fees in concluding contracts;
- Income from other services rendered or used within Portuguese territory other than those concerning transport, communication or financing.

d) Income from the exercise within Portuguese territory of an activity of an artiste or sportsman, except if it can be proved that such artiste or sportsman does not control, directly or indirectly, the entity to which the income is paid.

RATES

The "IRC" general rate is 21% in Mainland Portugal and Madeira and 16.8% in the Azores when applied to resident entities liable to tax on the basis of profits and to permanent establishments of non-resident entities. For small and medium size companies, the first €15,000 is taxed at 17%. In Madeira this rate is 16% and in the Azores, 13.6%

For resident entities whose main activity is not a commercial, industrial or agricultural one, the "IRC" rate is 21.5% on the Mainland and in Madeira. In the Azores, this rate is 16.8%.

Non-resident entities without permanent establishment in Portugal or deriving income therein not attributable to a permanent establishment are subject to "IRC" at a rate of 25% as a rule. For Companies domiciled in a black-listed offshore territory, the tax rate increases to 30%.

ASSESSMENT AND COLLECTION

Payments on account are due by Portuguese resident entities and by Portuguese permanent establishments of non-resident entities, which main business consists of carrying out commercial, industrial or agricultural activities. Payments on account are due in July, September and 15th day of December of the respective tax year (otherwise on the 7th, 9th and until the 15th day of the 12th month of the tax year adopted, if different from the calendar year). Payments on account are computed based on the tax assessed in the previous tax year, net of withholding taxes incurred that cannot be either offset or refunded.

SPECIAL PAYMENT ON ACCOUNT ("*PEC*")

Companies exercising commercial, industrial or agricultural activities, as well as non-resident entities with a permanent establishment in the Portuguese territory, are liable to the special payment on account (PEC – "*Pagamento Especial por Conta*") regime, which in practice results in a minimum tax burden, computed as follows:

> Payments are due in March each year (or in two installments in March and October or in the 3rd and the 10th month, if different from the calendar year):
>
> PEC = 1% turnover of previous tax year (1) - payments on account of previous year
>
> *(1) Capped at: Minimum €1,000; Maximum €1,000 + 20% of the surplus, capped at € 70,000.*

OFFSHORE PROPERTY COMPANIES

Offshore companies holding property in Portugal are subject to special taxation (See also "Local Tax on Real Estate"). If rent is received, then the company is assessed on its net income. If there is no business activity, the assessment is based on *notional income*, determined at the rate of 1/15th of the rateable value ("*Valor Patrimonial*").

In the case of income from real estate, whether notional or actual, and capital gains derived by a non-resident entity without a permanent establishment within Portugal, the tax assessment shall be made by the taxpayer (or the fiscal representative) on the basis of the periodical income tax return. Such entities are required to appoint a fiscal representative having domicile, head-office or effective management in Portugal to represent them before the Tax Authority.

Stamp Duty

Stamp Duty is charged on a variety of deeds, contracts, documents, titles, books, papers and financial operations. This must be paid by the person with an economic interest in the deed or contract such as the buyer in a purchase contract, credit institutions or financing companies in financial operations.

EXEMPTIONS

Certain categories of documents, contracts and financial operations are exempt from Stamp Duty:

- Interest on loans granted for acquisition, construction, re-construction or improvement of residential buildings;
- Loans and the interest and/or commissions charged, granted by credit institutions and financing companies to similar entities, provided that both parties reside in the European Union (EU) or, if the case that one is a non-EU resident, cannot reside in a tax haven country;
- Financial operations, including interest charges, between companies and their respective subsidiaries, provided that the former hold a minimum 25% holding in the latter for two consecutive years;
- Incorporation and increase in share capital of holding companies (“SGPS”); Guarantees allocated to the State upon the management of public debt;
- All legal documents and products relating to entities residing in the tax-free trade zone of Madeira and of the Santa Maria Island (Azores), according to article nº33, paragraph 11 of Decree-Law 215/89, of 25th July 1989.

TAX RATES

The Stamp Duty is levied on the value of each taxable deed or operation at a tax rate, which varies according to the type of deed or operation, as exemplified below:

- Onerous or gratuitous acquisition of immovable assets: 0,8%
- Rental or sublets (on monthly rent): 10%
- Interest paid bills of exchange and Treasury bills, loans, credit accounts discounts: 4%
- Premium and interest on drawn bills, bills receivable, drafts issued on domestic markets or any other kind of transfer: 4%
- Commissions in respect of guarantees granted: 3%
- Other commissions on financial services: 4%
- Change of unincorporated partnership or entity into a company (percentage of the net value of the partnership or entity's assets): 0,4%
- Lottery and other winnings: 35%
- Transfer of commercial, industrial or agricultural establishments: 5%

Social Security is paid in part by the employer and in part by the employee. The employee's contribution is withheld at source as per the following table:

Regime	***Beneficiary***	***Employer***
Employees (dependent work)	11%	23.75%
Members of Management or any other legal entity	9.3%	20.3%
Self-employed workers * when sole employing entity	29.6% / 34.75%	7%/10%
Handicapped Workers	11%	11.9%
Youth - 1st job or long term unemployed	exempt	11%

CONTRIBUTORY CODE

Sole Traders must now comply with rules for contributions to Social Security under the Contributory Code. Unlike the previous system where there were two separate options - the partial scheme and the extended benefit scheme, with the respective rates of 25.4% and 32% - there is now only a single scheme at the rate of 29.6% which now provides full coverage, including death, age, disability, parenting, occupational diseases and illness for all self-employed workers.

New annual statement and change of date of payment

Sole traders are required to submit an *Annual Declaration* to the Social Security Administration, stating the total amount in the previous year's:

- sales;
- services to individuals who are not business entities;
- services to business entities, including their Social Security Identification Number (NISS) and Tax Identification Number (NIF) for *Finanças*.

This statement must be submitted by 15 February in the following year to Social Security Direct.

EUROPEAN UNION

Social Security beneficiaries may now obtain a European Health Card that will guarantee medical care in the event of unexpected illness while travelling in any of the 27 countries of the European Union. Application may be made at your local Social Security Office and processing normally takes five working days.

INTERNATIONAL TREATIES

Portugal has Social Security Agreements that secure the rights of beneficiaries throughout the EU as well as the following countries:

Andorra
Angola
Argentina
Australia
Brazil
Cape Verde
Canada
Quebec (Canada)
Channel Islands (UK)
Chile
Philippines
Guinea Bissau
India
Mozambique
Moldavia
Morocco
S. Tomé e Principe
Switzerland
Tunisia
Ukraine
United States of America
Uruguay
Venezuela

SOCIAL SECURITY ON THE INTERNET

You may obtain further information in English at the Portuguese Social Security website:

http://www.seg-social.pt

The local tax on real estate is a municipal tax levied on the net worth of property situated within the territory of each municipality. Immovable property is classified as rural, urban and mixed.

LEVY OF TAX

The taxable person is the owner, the beneficiary or the party having the use or the benefit of the property on the 31st December of the year to which the tax relates.

Description	Rates
Rural Properties	0.8%
Urban Properties: • evaluated according to current IMI legislation	0.3 - 0.5%
Offshores	7.5%
Abandoned properties for more than 1 year pay double.	

EXEMPTIONS

There shall be exempted from local real estate tax, those taxpayers who earn less than €15 295 per annum and who do not own property valued at more than €66 500. Tax authorities will assign automatically exemption to 350,000 households in 2018.

TAXABLE AMOUNT

The taxable amount of the property is represented by its net assets value determined under the terms of the Evaluation Code. Meanwhile, the taxable amount is the same as the rateable value ("*valor patrimonial*").

Final Evaluation

The definitive evaluation is determined by the following coefficients:

$$\mathbf{VPT = VC \times A \times Ca \times Cl \times Cq \times Cv}$$

VPT	Rateable Value - "*Valor Patrimonial Tributável*"
VC	Cost per m²
A	Area
Ca	Type of Usage
Cl	Location
Cq	Quality and Comfort of Construction
Cv	Age of Construction

Agricultural Land

Rustic land used exclusively for agricultural purposes is valued at 20 times its annual production.

Assessment

The tax is assessed each year for each municipality by the "AT" (Autoridade Tributária e Aduaneira", on the basis of the values and the registered owners on 31st December of the year to which the tax relates. A demand for payment, specifying relevant information concerning the property in question, as well as its taxable value and tax payable will be sent to each taxpayer by the end of January following each tax year.

Payment Dates

up to € 250	1 instalment in April
from € 250 to € 500	2 instalments in April and November
exceeding € 500	3 instalments in April, July and November

2018 Municipal Tax Rates (*by council*) - ALGARVE

Albufeira	0.30 %
Alcoutim	0.30 %
Aljezur	0.35 %
Castro Marim	0.40 %
Faro	0.40 %
Lagoa	0.36 %
Lagos	0.35 %
Loule	0.30 %
Monchique	0.30 %
Olhão	0.40 %
Portimão	0.45 %
S. Bras de Alportel	0.42 %
Silves	0.30 %
Tavira	0.375 %
Vila do Bispo	0.40 %
Vila Real de Santo Antonio	0.45 %

2018 Municipal Tax Rates (*by council*) - MADEIRA

Calheta	0.30%
Câmara de Lobos	0.32%
Funchal	0.30%
Machico	0.30%
Ponta do Sol	0.30%
Porto Moniz	0.30%
Porto Santo	0.30%
Ribeira Brava	0.30%
Santa Cruz	0.30%
Santana	0.30%
São Vicente	0.30%

2018 Municipal Rates (*by council*) - GREATER LISBON

Amadora	0,34%
Cascais	0.37%
Lisboa	0.30%
Loures	0.38%
Mafra	0.45%
Odivelas	0.37%
Oeiras	0.32%
Sintra	0.33%
Vila Franca de Xira	0.30%

Rates from other municipalities can be found at:

http://www.economias.pt/taxas-de-imi-por-concelho/

MUNICIPAL PROPERTY TRANSFER TAX

“IMT”, formerly called *“Sisa”,* is levied on the transfer for consideration of ownership rights or of partial ownership on real estate (immovable property). The taxable person is the person who acquires the property. For buildings intended exclusively for residential purposes:

Portuguese Mainland - *primary residence*

Amount liable to Transfer Tax (in Euros)	Percentage Rates - 2018	
	Marginal Rate	Adjustment
Up to 92 407	0%	0
Over 92 407 - 126 403	2%	1 848,14
Over 126 403 - 172 348	5%	5 640,23
Over 172 348 - 287 213	7%	11 358.99
Over 287 213 - 574 323	8%	11 959,32
over €574 323	single rate of 6%	-

Portuguese Mainland - *secondary residence*

Amount liable to Transfer Tax (in Euros)	Percentage Rates - 2018	
	Marginal Rate	Adjustment
Up to 92 407	0%	0
Over 92 407 - 126 403	2%	1 268.90
Over 126 403 - 172 348	5%	2 263.60
Over 172 348 - 287 213	7%	4 157.80
Over 287 213 - 550 836	8%	-
over €550 836	single rate of 6%	-

Madeira and Azores - *primary residence*

Amount liable to Transfer Tax (in Euros)	Percentage Rates - 2018	
	Marginal Rate	Adjustment
Up to 115 509 Over 115 509 - 158,004 Over 158 004 - 215,435 Over 215 435 - 359,016 Over 359 016 - 717,904	 2% 5% 7% 8%	0 2 310.18 7 050.29 11 358.99 14 949.15
over €717,904	single rate of 6%	-

Madeira and Azores - *secondary residence*

Amount liable to Transfer Tax (in Euros)	Percentage Rates - 2018	
	Marginal Rate	Adjustment
Up to 115 509 Over 115 509 - 158 004 Over 158 004 - 215 435 Over 215 435 - 359 016 Over 359 016 - 688 545	 2% 5% 7% 8%	0 1 155.09 5 895.20 10 203.90 13 794.06
over €688,545	single rate of 6%	-

Rural property	5%
Building plots	6.5%
Offshore Companies	10%

ASSESSMENT AND COLLECTION

Payment must be made prior to the Deed of Purchase and Sale at the local tax office.

VALUE ADDED TAX ("IVA") is levied on:

Taxable entities:

- All individuals and entities exercising an commercial activity, trader or supplier of services on a continuous and independent basis;
- Those who independently carry out a single taxable transaction, provided that such transaction is in connection with the exercise of such activities, wherever it takes place (i.e. a foreign enterprise supplying goods within Portuguese territory);
- Those who carry out, on an occasional basis, a transaction subject to income taxation ("IRS" or "IRC");
- The beneficiary of certain services as expressly laid down by law when the supplier of the services is a foreign taxable entity not fixed in Portuguese territory (without permanent establishment;
- All individual and legal entities who import goods;
- All individual and legal entities who, on an invoice or any other similar document, mention VAT.

TAXABLE TRANSACTIONS

VAT is due on: 1) the supply of goods, 2) the supplies of services, 3) imports of goods from outside the European Community and 4) certain transactions between members of the EU where the vendor is equally a taxable person duly identified for VAT purposes in another Member State.

RATES

The tax rates are as follows:

Rate	Mainland	Madeira	Azores
Standard	23%	22%	18%
Intermediate	13%	12%	9%
Reduced	6%	5%	4%

Reduced rate: applies to essential foodstuffs (cereals, meat, fish, shellfish, milk, dairy products, olive oil, fruit and horticultural products), water, pharmaceuticals, electricity, transport of passengers, shows and public entertainment, accommodation in hotel units.

Intermediate rate: applies to cheese, yogurts, edible oils and fats, canned meat, fish, shellfish, fruit and dried fruit, coffee, mineral waters and goods in connection with agriculture (agricultural equipment and implements, motor cultivators, tractors and other machinery mainly intended for agriculture, cattle-breeding and forestry, seeds, chemical fertilizers, etc.).

Standard rate: applies to all supplies of goods and services not covered by the reduced or intermediate rates.

DEDUCTIONS - *Right to Tax Deduction*

The *tax liability* of a taxable entity is the *difference* between the amount resulting from the application of the tax rate to the value of sales or services rendered, during a given period of time, and the amount of tax borne on the acquisitions made in the same period.

PAYMENT

After the deductions and assessment of tax payable, payment is made to the VAT Authority by cheque, postal order or bank transfer.

The *period for payment* varies according to the size of the enterprise. An enterprise with a turnover (as compared to the preceding year) higher than €50 000 is required to produce its tax return and corresponding means of payment no later than the 10th day of the second month following the month the related transactions.

Taxpayers whose turnover is lower than €50 000 shall submit their tax return and corresponding means of payment by the 15th day of the second month following the relevant quarter.

The same rules apply to intra-Community activities. VAT shall be paid together with the transactions for the period.

TAXPAYERS' OBLIGATIONS

Declarative obligations

A taxable entity is required to decree the commencement or the cessation of business as well as to give notification of any change within 30 days.

These statements shall be lodged with the competent tax office, at the local level.

Obligation to issue an invoice

This procedure provides for a basic obligation concerning the *issuance of an invoice* or an equivalent document, which must be issued no later than the fifth working day following that of the taxable event.

For the purposes of tax control, any invoice or other document serving as invoice must be processed by computer or printed and numbered at an authorised printer; each invoice shall contain the expression "processed by computer", if this is the case, or the name of the printer and date of authorisation.

In addition to numeration and dating, invoices or equivalent documents shall include the following information: the name, business name, the head-office or domicile of the vendor and the purchaser, as well as their fiscal identification numbers. This fiscal identification number as shown on an invoice issued to a taxable person of another Member State shall be preceded by the prefix PT (for identification of Portugal as the country attributing such number); the detailed statement of goods to which the transactions relate or the nature of the services rendered; the price net of tax, the applicable rate and the amount of tax due; the justification for non-application of tax, where appropriate.

"IMPOSTO SUCESSÓRIO"

Gift and Inheritance Tax

(Abolished as of 01 January 2004)

Immediate family members (spouse, children, grandchildren, parents and grandparents) are exempt from tax on gratuitous transfers due to Gift and/or Inheritance. All other gratuitous transfers are assessed Stamp Duty at a flat rate of 10%.

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