



## *An Overview of Tax Advantages in Portugal*

It may come as a surprise that filing a proper tax return in Portugal can actually save you money. Submitting a tax declaration is not synonymous with paying tax.

The Portuguese tax code offers generous allowances and unexpected exclusions on certain forms of income, broad deductions for numerous types of expenses and liberal tax credits for many common expenditures. Many people find their tax burden to be significantly lower in Portugal than in their country of origin.

*Note these examples:*

### ***Pensions***

- In 2012, each pensioner is entitled to a specific pension allowance of over €4,000. This means that a retired couple, after personal allowances, typically receives the first ±€15,000 of collective pension earnings free of tax.
- Many pensions paid within European Union and beyond are entitled to an appreciable exclusion applying basic principles of elimination of Double Taxation. If eligible, an occupational pension of €60,000 should have little or no tax to pay.

### ***Disabilities Benefits***

Sometimes the common consequences of aging qualify taxpayers for 60% or greater disability status and still not hurt your golf game. If you are eligible, you will enjoy an enhancement to your tax deductible expenses.

### ***Income from Portuguese Property***

When reported as Portuguese-sourced business income, final tax rates are 4% or less with no further tax liability in the home jurisdiction for Non-Residents.



### ***Non-Habitual Resident***

- Only the Portuguese-source portion of a non-habitual resident's employment income will be subject to Portuguese Income Tax. This income will be assessed at a flat rate of 20%.
- Foreign-sourced income will be exempt from assessment in Portugal when the rules of standing Double Taxation Treaties or the like are applicable.

### ***Tax Exclusions***

Many forms of income benefit from generous exclusions, reducing taxable income and dropping the remainder into lower tax brackets.

### ***Madeira and the Azores***

Beyond the many tax advantages available throughout Portugal, the autonomous regions have lower tax rates on numerous forms of income including personal income tax ("IRS"), Value Added Tax ("IVA") and Property Transfer Tax ("IMT").

### ***Dividends***

Dividends paid by Portuguese companies as well as those from any country within the European Union are entitled to a 50% exclusion and are taxed on the other half at marginal rates with withholding on national dividends.

### ***Roll-Over Relief***

If you sell your principal residence and fully reinvest the proceeds in a new home, the capital gain is exempt. This tax relief extends to new home reinvestment anywhere in the EU.

### ***Royalties***

Resident taxpayers are entitled to a 50% exclusion the first €40,000 of Royalties earned and partial relief above this level.

### ***Rates Exemptions***

When buying a property, you may be eligible for a three-year Rates ("IMI") exemption, depending on the value of your property purchase.



## ***Portuguese Nominee Companies***

Using a Portuguese Nominee Company when buying property in Portugal can provide many benefits including simplified bureaucracy, tax efficiency and long-term CGT mitigation.

### ***Inheritance Tax***

Portugal abolished Inheritance Tax in 2004. Gifts in life and bequests after death to immediate relatives (spouse, children, grandchildren, parents and grandparents) are tax exempt. All others pay only 10% Stamp Duty.

### ***Conclusion***

These and other benefits are entitlements under legislation. It is your right as a citizen and taxpayer to take maximum advantage of these tax breaks. Who knows? Portugal may prove to be a legal “*tax haven*” for you within Europe.

© - All rights reserved

29 March 2018