



Portugal: a legal tax haven within Europe?

Being compliant for tax purposes is not synonymous with paying tax. The Portuguese tax code has 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 overall tax burden in Portugal to be significantly lower than in their country of origin. Note of the following examples:

Pensions

- In 2018, each pensioner is entitled to a pension allowance of over €4,100. This means that a retired couple, after personal allowances, typically receives the first ±€15,000 of pension earnings free of tax.
- Many pensions paid within EU and beyond are entitled to an appreciable exclusion applying basic principles of elimination of Double Taxation. If eligible, an occupational pension of €70,000 should have little or no tax to pay.

Non-Habitual Resident

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

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 enhanced deductions.



Income from Portuguese Property

When reported as Portuguese-sourced business income, final tax rates are 9% or less with no further tax liability in the home jurisdiction for Non-Residents.

Dividends

Dividends paid by Portuguese companies as well as those from within the EU 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 is to be extended eventually to new home reinvestment anywhere in the EU.

Nominee Companies

If you purchase property for investment purposes, using a Portuguese Nominee Company will provide many benefits including simplified bureaucracy and tax efficiency.

Inheritance Tax

Portugal abolished Inheritance Tax as of 2004. Transfers to immediate relatives (spouse, children, grandchildren, parents and grandparents) are tax exempt. All others pay only 10% Stamp Duty. Any assets held outside of Portugal explicitly fall outside of Portuguese law.

Tax Exclusions

Exclusions ranging up to 85%, running across almost every category of income and expense: pensions, salaries, dividends, royalties, disabilities, donations, healthcare, housing, education, etc. These are lawful fiscal readjustments, not mere tax breaks.

These and other benefits are entitlements under Portuguese 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.