



## Category E: INCOME FROM CAPITAL

Most people have a nest egg tucked away in the bank or in an investment portfolio. More often than not, these investments or bank accounts produce income. Whether you draw that income or not, whether the money is brought into Portugal or remains in a different jurisdiction, income from capital made available to you in the tax year needs to be reported and assessed for residents of Portugal. This includes interest from banks, building societies, gilts, as well as dividends from stocks and shares, wherever they arise worldwide.

Within Portugal, bank interest from financial institutions is taxed at source at 28% and normally constitutes final payment, dispensing the need for reporting. However, if one elects to declare interest from one source, all sources of interest must also be disclosed.

Income from certain long-term investment products enjoy partial tax exemption, depending on how many years they have been held. Income from Capital derived from independent business activities should be reported as part of business and not personal income.

Gains from venture capital investments are taxed at a rate of 10%.

***Question: I receive income from bank interest but don't bring it into Portugal. Do I have to declare in Portugal?***

**FINESCO:** Yes. It is the fact that the income is made available to you, not where it is received, makes you liable for taxation. Such income is reported on *Anexo J* (Income from Abroad).

***Question: I have heard that there are changes in the Bank Secrecy laws. Is this true? What is the current situation?***

**FINESCO:** There has been growing concern over recent years regarding bank secrecy, both in the EU as well as in Offshore jurisdictions. Portuguese bank secrecy laws have weakened under pressure from Brussels. Internationally, the OECD has spearheaded a drive to eliminate harmful tax practices from “tax havens”.



Financial institutions operating in Offshore Centres have tightened their requirements for investors, and tax authorities throughout Europe are working steadily to bring down the walls of confidentiality which have traditionally protected these jurisdictions.

***Question: I used to be able to claim back a small amount for double taxation from Corporate Tax (IRC) on my dividends. Is this still possible under the new system?***

**FINESCO:** No. There are no longer any tax credits from corporate double taxation. In compensation, only half of dividend income is now taxable if from EU companies.

***Question: Are there any allowances that I can take on this category of income?***

**FINESCO:** Other than the 50% exclusion on dividend income, there are no allowances for *Income from Capital*. Many investors do not realise that there are compliant alternatives which achieve similar tax mitigation purposes without breaking the law. If you have undeclared income from abroad, sound professional advice is in order.