



## IRS and Salaries (Category A)

Wage earners have little choice when it comes to submitting a tax return. Since tax on salaries is normally withheld at source, one of the main objectives in filing a tax declaration is to seek out a refund. Before exploring deductions and tax credits, first it is essential to understand what constitutes taxable salary income in addition to what you receive in your monthly pay cheque.

### ***Dependent Services***

Salaried workers must declare all forms of income such as:

- Salaries;
- Insurance;
- Commissions and prizes;
- Subsidies such as:
  - housing allowances,
  - personal use of company cars, etc.

### ***Additional Income in Category A***

The following are also considered to be taxable in this category:

- Tips and gratuities (taxed at a flat rate of 10%);
- Advances for pay or for non-reimbursed expenses;
- Gains obtained from the sale of Stock Options;
- Acquisition of a company vehicle at a reduced value;
- Certain types of severance and redundancy payments.

### ***Employer's Requirements***

The value of these benefits should be reported on pay statements and are subject to normal withholdings. Employers are required to provide employees with an annual statement by 20th January which must include the following information:

- Salaries
- Income tax withheld
- Contributions to Social Security
- Any taxable subsidies or support



### ***Allowances***

Employer cost supports and subsidies above the following daily limits are also taxable:

meal subsidy	€ 4.27
meal subsidy voucher	€ 7.23
travel within Portugal	€ 50.20
travel abroad	€ 89.35
travel by own car: (per km)	€ 0.36

### ***Reporting***

Total gross annual salaries paid in Portugal, along with any withholding tax as well as related contributions to Social Security, are reported on Annex A. Use Annex J to declare wages earned abroad.

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