



IRS and Taxable Income

INDIVIDUAL TAXABLE INCOME

Declarations may be submitted in person at the local tax office (“*Repartição de Finanças*”), by post or over the internet. In all cases, the central reporting form, *Modelo 3*, should be used accompanied by the appropriate annexes for each category of income received. Net taxable income is calculated by reducing taxable income by personal tax deductions. Certain types of income are subject to specific tax incentives. Tax liability is computed according to tax rate tables, reduced by applicable tax credits.

Non-residents who are subject to a withholding tax which represents a final payment are not required to file a tax return for income arising in Portugal. However, if non-residents are in receipt of income or gains on Portuguese real estate not subject to final withholding tax, they are obliged to file a tax return.

Question: How do I file my tax return on the Internet?

FINESCO: Before you begin, you must first get a password from *Finanças*. Follow the instructions at:

<http://www.portaldasfinancas.gov.pt>

Non-linguists should keep in mind that there is only a Portuguese language version. Getting a password can take time so this option should not be left to the last minute.

FILING EXEMPTIONS

All those with earnings in 2017 are required to submit a tax declaration with the following exceptions:

- a) those who only have earnings subject to final withholding tax (except dividends) and accept the tax paid as final.
- b) those receiving salary or pension income below €8,500.
- c) “Isolated Acts” up to €1,676.



Question: The only income that I received in 2017 was from bank interest, taxed at source. Do I have to declare ?

FINESCO: If the interest and withholding is in Portugal, no declaration is required. Nevertheless, if your tax rate falls below 28%, you may achieve a small savings in reporting and submitting a return. In other words, you may be entitled to a refund. If the interest that you received came from outside of Portugal and you are resident for tax purposes, this income should be reported, regardless of the withholding.

Question: My Old Age Pension falls below the Portuguese minimum wage. I also had a small amount of income from investments abroad. Do I still have to submit a tax return?

FINESCO: Yes. The true purpose of this reporting waiver is to exempt the large number of small Portuguese pensioners who would only clog up the system without bringing in any appreciable income to the State's coffers. All others must file. Any investment income from abroad must be reported on *Anexo J* (Income from Abroad).

Question: Is there an advantage to filing an “IRS” declaration?

FINESCO: Yes. In addition to being required to issue other official documents in Portugal, your tax return is essential to be eligible for a home mortgage loan. As a tax resident, you should pay a lower rate of interest.