



“IRS”
Individual Taxation of Individuals

INDIVIDUAL INCOME TAX

(“IRS”) is levied on the annual amount of worldwide income, after deductions, allowances and tax credits. The tax year corresponds to the calendar year: 01 January - 31 December.

- Category A: Earned Income from Employment
- Category B: Income from Self-Employment, Business, Industrial and Agricultural Income
- Category E: Investment Income
- Category F: Income from Real Estate
- Category G: Capital Gains
- Category H: Pensions
- Category I: Other Income

Everyone with income from any of these categories is required to submit a tax declaration with the exception of those having only wages or pensions below the “minimum wage”.

When and Where to File

Modelo 3 must be completed as well as the respective Annexes to report individual categories of income. Of special note is the requirement to file a special Annex (J) to report any type of income from outside of Portugal. Income tax returns should be filed in any Fiscal Office or filing station; or by post to the district Fiscal Office in which the taxpayer is resident.

Income tax returns can be made over the Internet.

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

The filing periods for *Modelo 3* are as follows:

- a) 01 April - 30 June for all sources of income. As of 2018, there paper forms are no longer in use. All reporting must be done electronically via the Internet. Local Tax Offices will assist taxpayers who are not able to declare digitally.
- b) Within 30 days of any change in income of a previously declared tax year. At the time of presentation, fiscal identification number (“*NIF*” - *número de contribuinte*) must be presented by the taxpayer(s) and any dependent(s) whose income is included in the return.



Documents issued by paying or owing entities, as well as supporting documents to support reported values need not be presented when submitting a tax return, nor will they be verified at that time, except in the case of clarifying the legality of a claim or dispelling doubts concerning proper completion of the forms. The Tax Authorities (*DGCI - Direção Geral dos Impostos*) may notify a taxpayer to present supporting documentation whenever deemed necessary. Records must be kept during a five year period following the tax year.

TAX RESIDENCE

Tax residence is factually determined and a person is deemed to be tax resident if 1) physically present in Portugal for more than 183 days in a calendar year; or 2) physically present in Portugal for less than 183 days but has established a permanent abode at the year end. If an individual owns a dwelling in Portugal that the tax authorities might reasonably assume to be his or her habitual residence, the individual generally may be resident for tax purposes for that fiscal year. If the head of a family is resident in Portugal, other family members may also be considered to be resident there, even if actually living abroad. If a foreign country has a tax treaty with Portugal, the treaty contains rules to decide in which of the two countries an individual is resident. Once a Residence Permit (*Residência*) is granted, one is deemed to be resident whether physically present or not in Portugal.

NON-HABITUAL RESIDENTS

Taxpayers who have become residents for tax purposes, but have not been subject to IRS as residents in the preceding five years, may be considered non-habitual residents in Portuguese territory. Under these terms, non-habitual residents obtain the right to be taxed as such for a period of 10 consecutive years (renewable). Taxpayers must apply for this status via the Internet.

Non-Habitual Residents are liable to *IRS* on their net employment and self-employment income from "high value-added activities" at the flat tax rate of 20%. Foreign-source income may be exempt under certain conditions.

NON-RESIDENTS

In the case of a *non-resident*, *IRS* is levied only on income derived in Portugal, normally at the rate of 25%, with the exception of income from long-term rental contracts assessable at the rate of 28%. In general, non-residents are subject to a withholding tax which represents a final payment. In such cases, they are not required to file a tax return. If non-resident individuals are in receipt of income from capital gains on Portuguese real estate, they are obliged to file tax returns.



INDIVIDUAL TAXABLE INCOME

Net taxable income is determined by reducing taxable income by personal tax deductions. Tax liability is calculated by tax rates tables, and reduced by tax credits.

Mainland 2018

TAX RATE	Taxable Income	Tax Band Adjustment
14.5%	0 - € 7 091	-
23%	€ 7 091 - € 10 700	€ 602.74
28.5%	€ 10 700 - € 20 261	€ 1 191.24
35%	€ 20 261 - € 25 000	€ 2,508.20
37%	€ 25 000 - € 36 856	€ 3 008.20
45%	€ 36 856 - € 80 640	€ 5 956.68
48%	> € 80 640	€ 8 375.88

Madeira 2018

TAX RATE	Taxable Income	Tax Band Adjustment
14.5%	0 - €7 091	-
23%	€7 091 - €10 700	€ 503.46
28.5%	€10 700 - €20 261	€ 944.84
35%	€20 261 - €25 000	€ 2 287.13
37%	€25 000 - € 36 856	€ 2 687.13
45%	€ 36 856 - € 80 640	€ 5045.91
48%	> € 80 640	€ 6 981.27

Personal & Family Tax Credits (reducing tax owed)

CREDIT FOR EACH...	AMOUNT
Couples	n.a.
Single or legally separated	n.a.
Single Parent Family	n.a.
Each Dependent Child	€600
Each Dependent Child: under age 3 (on31/12)	€750
Senior Dependents < minimum SS pension.	€525
Handicapped Dependents	€1 187.50



c) **Tax Credits for Qualifying Expenditures** (reducing tax owed):

	<i>Description</i>	<i>Limit per person</i>
15%	Medical Expenses	€1 000
20%	Retirement saving plans (PPR)	€600 - €800
	Public capitalization regime	€350
	Alimony / Child Support	no limit
25%	Nursing care	€403.75
	Donations - State	no limit
	Donations - other entities	up to 15% of tax due
30%	Education	€800

INTEREST

Interest from Portuguese banks are subject to a 28% withholding tax and need not be declared. Interest from abroad is reported and assessed at 28%.

DIVIDENDS

Dividends are assessed at 28%. If aggregated, 50% of the gross dividend is excluded. Aggregated dividends from EU companies may also exclude 50%.

CAPITAL GAINS

CGT on immovable property: 50% of net gain is assessed at marginal rates or exempt if reinvested 2 years prior or up to 3 years after the sale;

CGT on Shares: 28%. 50% exclusion of 50% for micro and small companies.

RENTAL INCOME

Flat rate tax of 28% or marginal rates when aggregated (residents only).

ALLOWANCES

Different categories of income have their specific allowance:

- *Salaries & Pensions* - €4 104 or the value of Social Security contributions;
- *Self-Employed* - €4 104 and exclusions in the Simplified Regime;
- *Income from Capital* - Autonomous or aggregated reporting option;
- *Rental Income* - all necessary expenses to conduct the activity;
- *Capital Gains* - 50% exclusion on Capital Gains from immoveable property; shares of micro & small companies have a 50% exemption.

TAX PAYMENT DATES

Income tax is due within one month of the issue of a demand by the “AT”.