

EXPATRIATES PORTUGAL

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE

Domicile Tax Rules

In terms of tax residency, as provided in the Portuguese tax rules, namely Article 16 of the Individual Income Tax Code (CIRS), an individual is considered as a Tax Resident in Portugal if:

- stays in Portugal more than 183 days, followed or interpolated, in the period of 12 months of the tax year; or
- staying in Portugal for less period of that year (partial residence), he has available in Portugal a domicile in conditions that indicate an intention to keep and occupy it as his habitual residence.

Individuals who do not meet either of these conditions should be considered as a non-resident for tax purposes.

It is possible to apply the partial tax residency or partial non tax residency.

BREAKING RESIDENCY - EXIT PROCEDURES

Breaking resident status occurs from the last day of stay in Portuguese territory.

However, a taxpayer shall be deemed a resident of Portugal for the entire year of the year or departure, if both the following apply:

- Remain in Portuguese territory more than 183 days, followed or interpolated, that year; and
- Receive during that tax year (after the last day of stay in a Portuguese territory), any income that is subject and not exempt from IRS, if the person were to remain a resident.

This shall not apply where such income is subject to income tax of another country as a result of his domicile or residence:

- In another Member State of the European Union or of the European Economic Area, provided that, in the latter case, there is an exchange of tax information and that administrative cooperation in the field of taxation is provided for; or
- In another State where the tax rate applicable to such income is not less than 60% of that which would apply if the taxpayer maintained his or her residence in Portuguese territory.

A taxpayer will also be considered to be resident of Portugal during the entire year if he subsequently regains resident status in the year immediately following the year in which he ended residency.

INCOME TAX RATES

NON RESIDENTS	Special Tax Rate
Salary / Employment Remuneration	25%

SOCIAL SECURITY CONTRIBUTION

Employers are generally responsible for social contributions at a rate of 23.75% of the value contained in the payroll. Also there is a charge of 1% for Worker Compensation Fund.

Employees are subject to 11% social contributions through withholding.

Therefore, the final total contribution is 35.75% per month.

An exemption from Portugal social contributions is possible if the person is covered by a protection system abroad and duly proved by A1 Form or similar document.

TAX EXEMPTION ON SHORT PERIODS OF SECONDMENTS

Dependent income earned by taxable persons who, in the year to which the income relates, have been displaced from their normal place of employment abroad for a period of not less than 90 days, 60 of which necessarily followed, are exempt from income tax, considered residents of Portuguese territory, in the part related to the remuneration paid or made available to the worker exclusively by way of compensation for the displacement and stay abroad that exceeds the legal limits provided for in the IRS Code.

The annual amount of exemption, per taxable person, may not exceed € 10 000.

For further information and to register for future updates contact expat@bdo.global

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