

INPATRIATES

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.

The Portuguese rule updated in 2015 allows the partial tax residency system, which means that an individual can be considered a tax resident even if he stays in Portugal less than 183 days. This is provided that he fulfills the other residency criteria of having a domicile with an intention to keep and occupy as a habitual residence.

Therefore, the main criteria for determining residency is whether in fact the individual main abode is in Portugal, even if he stays less than 183 days in Portugal. This provision is within our internal tax domicile rules, and does not require a bilateral tax treaty to be in force.

A day of tax residency is considered as a day of presence in Portuguese territory which includes full days, overnight and partial days.

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

Income Brackets (EUR) - 2022	Rates (Percentage)	
	Normal (A)	Medium (B)
0 - 7,116	14.5	14.5
7,116 - 10,736	23	17.366
10,736 - 15,216	26.50	20.055
15,216 - 19,696	28.50	21.976
19,696 - 25,076	35	24.770
25,076 - 36,757	37	28.657
36,757 - 48,033	43.5	32.141
48,033 - 75,009	45	36.766
More than 75,009	48	-
ADDITIONAL TAX (EUR) - 2022	Rates (Percentage)	
80,000 - 250,000	2.5	-
More than 250,000	5	-

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.

NON HABITUAL RESIDENT TAX REGIME

Through this scheme, it is possible to have a mitigated taxation for certain dependent and independent services income derived from activities of high added value, whether obtained in Portugal or abroad. A fixed rate of 20% IRS and the application of the tax exemption method for the avoidance of international double taxation on foreign source income can be applied as in the case of pension income, capital income and independent income; in addition to the income from dependent work that has been taxed abroad.

Applicable taxpayers must become a tax resident in Portugal under the domestic tax requirements and not have been taxed by IRS, or have a primary abode in Portugal, in any of the 5 (five) years prior to which the application for the framework of the NHR regime is reported.

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

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TAX RELIEF FOR RETURNERS (ex -Tax Residents)

50% of income from dependent work and business and professional income of taxable persons who, becoming tax residents in 2019, 2020, 2021, 2022 or 2023:

- a) Have not been considered resident in Portuguese territory in any of the previous three years;
- b) Have been resident in Portuguese territory before 31 December 2015, in the case of taxable persons who become tax residents in 2019 or 2020, and before 31 December 2017, 2018 and 2019, in the case of taxable persons who become fiscally resident in 2021, 2022 or 2023, respectively;
- c) Have their tax situation regularized.

Taxable persons who have requested registration as a non-habitual resident cannot benefit from the provisions of this article.

Besides of this relief, it is also possible to apply a reduction of taxation on professional activities during the first and second year on the simplified tax regime, of 50% and 25% respectively, which is already in force in Portugal (if the taxpayer did not receive employment or pension income).

YOUNG IRS - partial exemption on income from dependent and self-employed work

Income from dependent or self-employed work earned by a taxable person between the ages of 18 and 26 who is not considered a dependent, is partially exempt from IRS, in the first five years of obtaining income from work after the year of completion of the same cycle of studies or above level 4 of the National Qualifications Framework.

This age is extended up to 30 years, inclusive, if the completed study cycle corresponds to level 8 of the National Qualifications Framework.

This exemption from IRS taxation applies:

- a) In the first year of obtaining income after completing the cycle of studies and in the following four years, provided that the option is exercised up to the maximum age referred to in the previous numbers;
- b) In consecutive or interpolated years, provided that the maximum age of the taxable person does not exceed 35 years, inclusive.

This exemption is:

- 30% in the first year, with a limit of 3291 euros, that is, 7.5 times the social support index (IAS), an indicator used to calculate social benefits such as unemployment benefit;
- 20% in the second year, with a limit of 5 times the IAS, that is, 2194 euros;
- 10% in the third and final year, with a limit of 2.5 times the IAS, that is, 1097 euros.

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