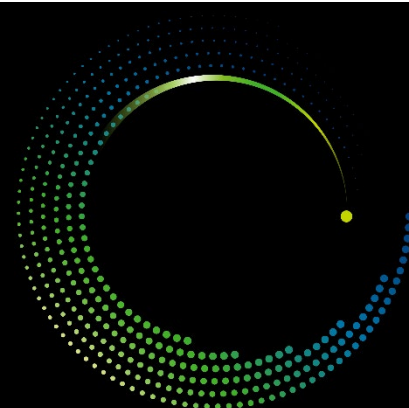


International Tax Portugal Highlights 2024

Updated January 2024



Recent developments

For the latest tax developments relating to Portugal, see [Deloitte tax@hand](#).

Investment basics

Currency: Euro (EUR)

Foreign exchange control: Portugal does not have exchange controls and there are no restrictions on the import or export of capital. Both residents and nonresidents may hold bank accounts in any currency. However, a transfer of EUR 10,000 or more outside Portugal in foreign banknotes, gold, travelers' checks, or bearer securities must be declared to the Portuguese customs authorities.

Portuguese financial institutions must report bank balances of residents and nonresidents exceeding EUR 50,000 (in the same bank).

Accounting principles/financial statements: Portuguese GAAP or IAS/IFRS financial statements must be prepared annually.

Principal business entities: These are the corporation (SA), limited liability company (Lda), general and limited partnership, partnership limited by shares, branch of a foreign company, individual enterprise with limited liability, investment fund (UCITS/AIFM: contractual form), investment company (UCITS/AIFM: corporate form), and real estate investment company (REIT/SIGI).

Corporate taxation

Rates

Corporate income tax rate	31.5% (maximum aggregate rate including surcharges)
Branch tax rate	31.5% (maximum aggregate rate including surcharges)
Capital gains tax rate	31.5% (maximum aggregate rate including surcharges)

Residence: A company is a resident if its legal seat or place of effective management is in Portugal.

Basis: Resident companies are subject to tax on worldwide profits; nonresident companies are taxed only on Portuguese-source profits. Foreign-source profits derived by residents are subject to corporate income tax in the same way as

Portuguese-source profits. Under specific circumstances and by election, profits arising from a foreign permanent establishment may be tax exempt. Branches of nonresident companies are taxed only on Portuguese-source profits.

Taxable income: Corporate income tax is charged on a company's profits (calculated with tax adjustments), which consist of business or trading income (based on Portuguese GAAP), passive income, and capital gains. Expenses are deductible to the extent they are necessary for the purpose of generating taxable income and are properly documented. (See "Interest deduction limitations" under "Anti-avoidance rules," below, for limits on the deduction of interest.) Certain types of expenses incurred are subject to autonomous taxation (see "Other," below).

Certain small businesses are eligible for a simplified corporate income tax regime, under which taxable income is determined as a percentage (depending on the activity) of turnover.

Rate

General

The standard corporate income tax rate (not including surcharges) is 21%. A reduced corporate income tax rate of 17% applies to the first EUR 50,000 of taxable profits of small and medium-sized enterprises (SMEs) or small-medium capitalization companies ("small mid cap companies"); for SMEs or small mid cap companies operating in inland territories, a reduced rate of 12.5% applies to the first EUR 50,000 of taxable profits. The reduced rate of 12.5% on the first EUR 50,000 of taxable profits also applies to entities that qualify as startups, provided certain requirements are met.

Certain small businesses are eligible for a simplified corporate income tax regime, under which taxable income is determined as a percentage (depending on the activity) of turnover.

Special taxation rules apply to entities engaged in certain activities, including oil exploration, prospecting, and production (which are subject to a number of specific oil-related levies), and to those operating in the gaming industry.

Companies operating in certain sectors are subject to special contributions: the extraordinary contribution for the energy sector, the bank sector contribution, or the pharmaceutical industry extraordinary contribution.

Surtax

A state surcharge is imposed on taxable profits at the following rates: 3% for profits over EUR 1.5 million and up to EUR 7.5 million; 5% on profits over EUR 7.5 million and up to EUR 35 million; and 9% on profits exceeding EUR 35 million. A municipal surcharge is imposed on taxable profits at rates up to 1.5%, depending on the municipality, resulting in a maximum possible aggregate tax rate of 31.5%.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Portugal has yet to transpose into its domestic legislation the EU "Pillar Two" directive that is designed to ensure a global minimum level of taxation of 15% for multinational enterprise groups and large-scale domestic groups within the EU with annual consolidated revenue of at least EUR 750 million.

Taxation of dividends: See "Participation exemption," below.

Capital gains: Realized capital gains are included in taxable profits for corporate income tax purposes, but gains on the disposal of shares may be exempt from tax under the participation exemption (see “Participation exemption,” below). The acquisition cost of capital assets disposed of after a minimum ownership period of two years may be adjusted for inflation, using official indices.

Fifty percent of gains derived from the disposal of tangible fixed assets, biological assets, and intangible assets (other than intangible assets acquired from or sold to related parties, or investment properties) held for at least one year may be excluded from taxation if the total disposal proceeds are reinvested within a prescribed period. The reinvestment regime is not applicable to gains assessed in the context of mergers, demergers, or asset-for-share deals, nor does it apply when assets are transferred with purposes other than the business carried out by the taxpayer.

Capital gains derived from the indirect disposal of certain immovable property located in Portugal are subject to corporate income tax. This includes the disposal by a nonresident company of shares (or similar rights) held in another nonresident company, if, during the 365 days preceding the disposal, more than 50% of the value of the shares (or rights) is related, directly or indirectly, to immovable property in Portugal (subject to certain conditions).

Losses: Operating losses may be carried forward indefinitely. The losses used in any year may not exceed 65% of the taxable profits. If at least 50% of the capital or the majority of the voting rights has been transferred, a carryforward may be denied if it is concluded that tax evasion is the main objective, or one of the main objectives, of the operation. The carryback of losses is not permitted.

Capital losses on the sale of shares that are not eligible for the participation exemption are deductible, subject to certain restrictions.

Foreign tax credit: Portugal grants a tax credit up to the amount of Portuguese tax payable on foreign income, which is calculated net of expenses on a per-country basis.

Under specific circumstances and by election, profits of foreign permanent establishments may be exempt. Credit for underlying tax may be available if the conditions for the participation exemption are not fulfilled.

Participation exemption: Under Portugal’s participation exemption regime, dividends received and capital gains realized by a resident company from a domestic or foreign shareholding are exempt from tax, provided the shareholder is not considered a transparent entity and has held, directly or indirectly, at least 10% of the capital or voting rights of the other company for at least 12 months. The subsidiary may not be resident in a listed tax haven and must be subject to, and not exempt from, an income tax listed in the EU parent-subsidiary directive or an income tax rate that is equal to at least 60% of the Portuguese corporate income tax rate. The exemption for dividends is not applicable if the payment is deductible for the payer. An ordinary tax credit is available when the conditions for the application of the participation exemption regime are not fully satisfied, with an option for an underlying tax credit for dividends on foreign shareholdings of at least 10% held for at least 12 months.

Holding company regime: There is no holding company regime (but see “Participation exemption,” above).

Incentives: Profits from activities of licensed industrial, shipping, or international service companies established in the Madeira Island free trade zone (where the income is not derived from Portugal, other than the free trade zone) are subject to a reduced corporate income tax rate of 5% if the company has been granted a license to operate in the territory and certain conditions are satisfied; no withholding tax is imposed on dividends, interest (subject to certain conditions), royalties (subject to certain conditions), and other business-related fees paid to nonresidents.

A corporate tax credit for 32.5% of qualifying research and development (R&D) expenses is available in the relevant year and may be carried forward for eight years. Taxpayers may claim an additional incremental credit of 50% of qualifying R&D expenses exceeding the average amount spent in the prior two tax years, limited to EUR 1.5 million except for SMEs that have not yet been actively engaged in business for at least two tax years and have not had the benefit of the increased rate, in which case an increase of 15 percentage points is applied to the 32.5% base rate, i.e., a 47.5% credit is computed on qualifying expenditure. The tax credit may offset up to the total amount of the corporate income tax liability and is available until 31 December 2025.

See “Residence” under “Individual taxation,” below, for information on a tax incentive regime for scientific research and innovation that is available to certain individuals that become a Portuguese tax resident and that carry on eligible activities.

Until 31 December 2027, tax benefits may be granted for a period of up to 10 years under a contractual regime for investment projects if the relevant investment amount is at least EUR 3 million. Under the regime, a corporate tax credit ranging from 10% to 25% of the amount of the investment may be granted for all relevant investment expenditure, as well as a total or partial exemption from real property tax, transfer tax, and stamp duty. The maximum annual credit cannot exceed the greater of 25% of the total tax benefit granted or 50% of the amount of the corporate income tax liability in each tax period. As from the 2024 tax period, the types of expenditure eligible for the tax credit are expanded to include certain salary costs relating to the creation of jobs for personnel with educational qualifications corresponding to level 7 or level 8 of the National Qualifications Framework (NQF). Certain conditions apply.

A corporate tax credit ranging from 10% to 30% of the amount of the relevant investment may be granted for the acquisition of new tangible and intangible fixed assets (with some exceptions and limitations), as well as a total or partial exemption from real property tax, transfer tax, and stamp duty. The tax credit granted may offset up to 50% of the corporate income tax liability and may be carried forward for up to 10 years. As from the 2024 tax period, the types of expenditure eligible for the tax credit are expanded to include certain salary costs relating to the creation of jobs for personnel with educational qualifications corresponding to level 7 or level 8 of the NQF. Certain conditions apply.

Income derived from the licensing of patents, designs and industrial models, and copyrights of computer programs may be tax exempt. The amount of the exempt income will depend on a specific formula.

For SMEs or small mid cap companies operating in inland territories, an additional tax deduction of 20% (i.e., a total deduction of 120% of qualifying expenditure) is available for certain expenses relating to the net creation of jobs.

A tax incentive related to wage increases is available, under which an additional deduction of 50% (i.e., a total deduction of 150% of qualifying expenditure) is available for expenses relating to certain increases in the remuneration of employees that have a work contract for an indefinite period of time. For purposes of this incentive, a minimum wage increase of 5% is required for 2024.

A tax regime that provides an incentive for capitalization allows an annual deduction from taxable income. The deduction is calculated by applying the 12-month Euribor rate (corresponding to the average for the tax period, calculated based on the last day of each month) increased by a spread of 1.5 percentage points to the amount of net increases in eligible equity. The spread is 2 percentage points in the case of micro companies, SMEs, or small mid cap companies. The deduction may be increased by 50%, 30%, and 20%, respectively, in the 2024, 2025, and 2026 tax periods.

To mitigate the effects of rising energy prices, a special support scheme has been introduced that allows an additional deduction of 20% (i.e., a total deduction of 120% of qualifying expenditure) for the portion of expenses and losses related

to electricity and natural gas consumption during the 2024 tax period that exceed the expenses and losses incurred in the 2021 tax period (the period prior to the approval of this tax incentive).

A special support scheme has been introduced for costs related to agricultural production, under which an additional deduction of 40% (i.e., a total deduction of 140% of qualifying expenditure) is available for expenses and losses incurred in relation to the acquisition of fertilizers, soil amendments, feed, and certain other items used for agricultural production activities.

A new tax incentive for the renewal of the freight transport fleet provides a tax exemption under certain circumstances where vehicles acquired and registered before 1 July 2021 are sold and the entire amount realized is reinvested in vehicles first registered after 1 January 2024. The incentive is available for tax periods starting on or after 1 January 2024 and is subject to the applicable EU rules on de minimis aid.

There are certain tax incentives for the acquisition of electric and hybrid cars.

Other: “Autonomous taxation,” which is imposed separately from the corporate income tax, applies at different rates on certain types of expenses incurred by entities subject to corporate income tax (for example, undocumented expenses, mileage and per diem allowances, company car expenses, representation and entertainment expenses, and bonuses paid to managers and board members).

Compliance for corporations

Tax year: The tax year generally corresponds to the calendar year, although a different tax year is possible for resident companies and nonresident companies with a permanent establishment in Portugal, if it coincides with the reporting/accounting period.

Once selected, the same tax accounting period must be maintained for at least five years.

Consolidated returns: Aggregate tax returns may be filed by resident groups. A group consists of the dominant company and 75%-or-more directly or indirectly held subsidiaries (with more than 50% of voting rights held by the dominant company).

The following requirements must be met to file a consolidated return: (i) all members of the group must have their seat or place of effective management in Portugal (group members may be held indirectly by a company resident in an EU/European Economic Area (EEA) member state, provided at least 75% of that company is held, directly or indirectly, by the dominant company), and must be subject to the general tax regime; (ii) the dominant company must hold the participation in the group companies for more than one year; (iii) the dominant company may not be considered dominated by another Portuguese eligible company; and (iv) the dominant company may not have opted out of the consolidated regime within the previous three years.

Filing and payment: Self-assessment applies and electronic filing is mandatory. The tax return must be filed within five months of the end of the accounting period. The supporting accounting and tax report must be filed by the 15th day of the seventh month following the company's year end. Advance corporate income tax and the national surtax are payable in installments.

Penalties: Penalties and interest are imposed for late filing, failure to file, or other instances of noncompliance with the tax law.

Rulings: Three types of rulings are available to taxpayers: standard, urgent (costs apply), and advance pricing agreements (APAs). In an APA, the taxpayer obtains an agreement on the transfer pricing policies to be adopted in transactions between related entities.

Individual taxation

Rates		
Individual income tax rate	Taxable income (EUR)	Rate (not including surcharges)
	Up to 7,703	13.25%
	Over 7,703 and up to 11,623	18%
	Over 11,623 and up to 16,472	23%
	Over 16,472 and up to 21,321	26%
	Over 21,321 and up to 27,146	32.75%
	Over 27,146 and up to 39,791	37%
	Over 39,791 and up to 51,997	43.5%
	Over 51,997 and up to 81,199	45%
	Over 81,199	48%
Capital gains tax rate		Varies

Residence: An individual is a resident if the individual stays in Portugal for 183 days or more in any 12-month period, or if the individual's main residence is located in Portugal and the individual stays in Portugal at any time during the year.

Individuals that move to Portugal and that were not a Portuguese tax resident in the five tax years prior to the move may request to be covered by one of the following special tax regimes, depending on their specific situation (other conditions may apply):

- **Non-habitual tax resident (NHR) status:** Non-habitual residents are taxable on their worldwide income, but may benefit from a preferential tax regime for 10 years for eligible employment income (taxed at a 20% flat rate) and foreign pensions (taxed at a 10% flat rate) and an exemption from tax on certain foreign-source income; new entries to the NHR regime were disallowed after 31 December 2023 except under a specific transitional regime allowing new entries in 2024 (if certain eligibility conditions are fulfilled).
- **Tax incentive regime for scientific research and innovation activities:** Individuals that carry on eligible activities and that become a tax resident in Portugal may benefit from an incentive regime for 10 years, under which a special personal income tax rate (a 20% flat rate) is available on employment and self-employment or business (net) income earned from the eligible activities and a tax exemption is available for certain foreign-source income, including employment income, self-employment or business income, dividends, interest, capital gains, and rental income. Eligible activities include the following: (i) teaching at a university level and carrying on scientific research; (ii) carrying on a qualifying job or being a member of a corporate governing body for an entity within the scope of contractual incentives for productive investment; (iii) carrying on a highly qualified profession for a company with relevant investments that benefits from or has benefited from the investment support tax regime; (iv) working for an industrial or service company whose main activity is included in a specific ministerial order and that derives at least 50% of its turnover from exports; (v) carrying on a qualifying job or being a member of a corporate governing body for an entity that carries out economic activities recognized as relevant to the Portuguese economy by certain state agencies; (vi) working as a professional in the area of R&D in a position whose costs are eligible to qualify for the tax incentives system for research and business development; (vii) carrying on a job or being a member of a corporate

governing body of an entity certified as a startup; and (viii) carrying on a job or other activities as a tax resident in the autonomous regions of the Azores or Madeira, under conditions to be defined by a regional legislative decree.

- **Former residents regime:** Individuals who were previously a tax resident in Portugal and who return to Portugal and become a tax resident in the country in 2024, 2025, or 2026 may be eligible to claim a 50% tax exemption on up to EUR 250,000 of employment and self-employment income annually for a five-year period.

Portugal also has the concept of part-year tax residency.

Basis: Resident individuals are taxed on their worldwide income; nonresidents are taxed on only their Portuguese-source income.

Taxable income: There are six categories of income that are subject to personal income tax: employment income, business and professional income, investment income, real estate income, increases in net worth, and pensions. Investment income, real estate income, and capital gains on securities are taxed at a flat rate of 28% (a 35% flat rate applies to dividends paid by entities resident in listed tax havens). The remaining income is taxed at progressive rates.

There is a specific personal income tax framework regarding crypto asset-related transactions. Income from such transactions may be taxed as business income, capital gains, or investment income, depending on the activity of the taxpayer. Under certain circumstances, a tax exemption scheme may be available.

There is a partial exemption from personal income tax for employment income received by taxpayers from 18 to 26 years of age that do not qualify as dependents. The exemption applies only in the first five years in which these taxpayers receive income, after the year of completion of a level of education equal to or higher than level 4 of the NQF. The maximum age to opt for the regime is extended up to 30 years of age, inclusive, for taxpayers that complete a level of education corresponding to level 8 of the NQF.

There also is an exemption from taxation, capped at five times the social support index (IAS) (i.e., EUR 2,546.30 in 2024) for employment income and self-employment income received by students who are considered dependents for tax purposes and who are studying in a school in the national education system or an equivalent.

Rates: Rates are progressive up to 48%. An additional surcharge of 2.5% applies to income between EUR 80,000 and EUR 250,000. For income over EUR 250,000, the additional surcharge rate is 5%.

Capital gains: Capital gains on the sale of an individual's main residence are exempt if the proceeds are used to purchase another permanent residence in Portugal or in another EU/EEA member state, provided that, in the latter case, arrangements are in place for an exchange of information on tax matters. If the seller is 65 years old or older, such capital gains also may be exempt if the proceeds are invested in a pension plan that meets certain criteria.

Where no exemption applies, only 50% of gains from the sale of immovable property is subject to tax as income at the progressive rates.

Capital gains on shares are subject to tax at a 28% rate. A 50% exemption applies to capital gains on the disposal of participations in unlisted small and micro companies.

A positive balance between capital gains and capital losses (i.e., an amount of net capital gains) arising from the sale of shares and other securities must be aggregated with other types of income (i.e., the net capital gains are subject to tax at the progressive rates) if both of the following conditions are met:

- The assets have been held for less than 365 days; and
- The taxable income of the taxpayer, including the net capital gains, is EUR 78,834 or more.

Gains may be taxed at a 35% rate if the income source is a listed tax haven or if the income is paid into “jumbo” accounts. Capital gains realized by nonresident individuals on the sale of shares (or similar rights) in a nonresident company may be regarded as Portuguese-source income (and therefore may be subject to tax in Portugal) if, during the 365 days preceding the disposal, more than 50% of the value of the shares (or rights) is related, directly or indirectly, to immovable property in Portugal (subject to certain conditions).

Deductions and allowances: Deductions (up to specified limits) are available, including deductions for health and education expenses. Personal tax credits in varying amounts also are available, depending on the number of family members.

Foreign tax relief: Portugal grants a tax credit up to the amount of Portuguese tax payable on foreign income.

Other: See “Transfer pricing,” “Controlled foreign companies,” and “Exit tax” under “Anti-avoidance rules,” below, for additional information that may be relevant to individuals under certain circumstances.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Married individuals are taxed separately, but may choose to file a joint tax return unless one spouse is nonresident, in which case the resident spouse files a separate tax return.

Filing and payment: Personal income tax returns must be filed between 1 April and 30 June following the year end. Final payment of tax is due by 31 August following the year to which the income relates. There is an optional filing extension to 31 December if the taxpayer requests foreign tax credits.

Penalties: Penalties apply for failure to comply with tax payment and filing obligations.

Rulings: Two types of rulings may be requested:

- A regular ruling request (without urgency), which has no associated costs but the tax authorities have an indicative time frame of 150 days to issue a decision. A failure to meet the time frame does not trigger any consequences; and
- An urgent ruling, the urgency of which must be accepted by the tax authorities. The costs may range between EUR 2,550 and EUR 25,500 depending on the complexity of the issue, and the decision must be issued within 75 days. If no decision is issued after 75 days, the tax framework proposed by the taxpayer is considered to be accepted.

Withholding tax

Rates				
Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%/25%	28%	0%/25%/35%	28%/35%
Interest	0%/25%	28%	25%/35%	28%/35%
Royalties	0%/25%	16.5%	25%/35%	28%/35%

Dividends: Dividends paid to a nonresident company are subject to a 25% withholding tax (35% if paid to a resident of a listed tax haven). The rate may be reduced to 0% where the conditions for the domestic participation exemption regime are fulfilled and the recipient of dividends is resident in the EU/EEA or in a tax treaty jurisdiction. If the participation exemption does not apply, the rate may be reduced under an applicable tax treaty.

Dividends paid to a nonresident individual are subject to a 28% withholding tax (35% if paid to a resident of a listed tax haven), unless the rate is reduced under an applicable tax treaty.

Dividends paid to a resident company by another resident company generally are subject to a 25% withholding tax. The rate may be reduced to 0% where the conditions for the domestic participation exemption regime are fulfilled.

Dividends paid to resident individuals by resident entities generally are subject to withholding tax at a 28% rate.

Interest: Interest paid to a nonresident company is subject to a 25% withholding tax (35% if paid to a resident of a listed tax haven), unless the rate is reduced under an applicable tax treaty. Under the EU interest and royalties directive, payments to qualifying EU recipients are exempt.

Interest paid to a nonresident individual is subject to a 28% withholding tax (35% if paid to a resident of a listed tax haven), unless the rate is reduced under an applicable tax treaty.

Portuguese-source interest paid to a resident company generally is subject to a 25% withholding tax. Under Portugal's implementation of the EU interest and royalties directive, payments to qualifying recipients are exempt from withholding tax.

Portuguese-source interest paid to a resident individual generally is subject to withholding tax at a 28% rate.

Royalties: Royalty payments made to a nonresident company are subject to a 25% withholding tax (35% if paid to a resident of a listed tax haven), unless the rate is reduced under an applicable tax treaty. Under the EU interest and royalties directive, payments to qualifying EU recipients are exempt.

Royalty payments made to a nonresident individual are subject to a 28% withholding tax (35% if paid to a resident of a listed tax haven), unless the rate is reduced under an applicable tax treaty.

Royalty payments made to a resident company generally are subject to a 25% withholding tax. Under Portugal's implementation of the EU interest and royalties directive, payments to qualifying recipients are exempt from withholding tax.

Royalty payments made to a resident individual are subject to a 16.5% withholding tax.

Fees for technical services: Technical service fees paid to a nonresident company or nonresident individual generally are subject to a 25% withholding tax, unless the rate is reduced under an applicable tax treaty.

Technical service fees paid to a resident company or individual generally are subject to a 25% withholding tax.

Branch remittance tax: There is no branch remittance tax.

Other: Other payments made to nonresidents may be subject to withholding tax at various rates.

Anti-avoidance rules

Transfer pricing: Portugal's transfer pricing rules generally follow OECD transfer pricing guidelines. The tax authorities may make pricing adjustments if special relations exist between the parties. In addition to applying to transactions between companies, the transfer pricing rules also are applicable to the sale of assets between individuals and companies if there are special relations between the individual and the company.

Companies must prepare documentation to support their transfer pricing policies. Companies that are supervised by the Large Taxpayer Unit are required to submit the transfer pricing documentation to this unit by the 15th day of the seventh month after the close of the tax year to which the transactions relate; other taxpayers are required to submit the

documentation only after receiving a notification from the Large Taxpayer Unit. Penalties will be imposed for failure to comply with the obligations to submit documentation.

APAs are available.

Interest deduction limitations: Specific limitations apply to the tax deductibility of interest expense. Net financial costs are deductible only up to the greater of the following thresholds: EUR 1 million or 30% of EBITDA (earnings before interest, taxes, depreciation, and amortization) as adjusted for tax purposes. Companies reporting under a tax group regime may apply the relevant thresholds at the group level. The amount exceeding the threshold in a given year may be carried forward for up to the following five years, up to the 30% threshold.

Controlled foreign companies: Under the controlled foreign company (CFC) regime, undistributed profits of a nonresident company resident in a low-tax jurisdiction may be attributed to Portuguese resident participators (entities or individuals) with a substantial interest in the nonresident company, and taxed in proportion to their holdings. A substantial interest is direct or indirect ownership (including a beneficial interest) of at least 25% of the capital, voting rights, or rights to income or assets owned by Portuguese resident participators. A nonresident company is deemed to be resident in a low-tax jurisdiction if it is resident, for tax purposes, in a listed tax haven or if the tax effectively paid in its jurisdiction of residence is less than 50% of the tax that would have been assessed under Portuguese corporate income tax rules. The income to be included in the taxable base of the Portuguese entity or individual corresponds to the taxable profit of the nonresident company, but computed according to Portuguese corporate income tax rules. Also, it is important to note that after the distribution of dividends by the CFC, an unused foreign tax credit for the tax paid cannot be carried forward to subsequent tax years.

The CFC regime is not applicable if the nonresident company is resident in an EU member state or in an EEA member state with which an agreement for administrative cooperation in tax matters equivalent to that established for the EU has been concluded and if there are valid economic reasons supporting the incorporation and the operation of the company, provided the company carries out its business based on employees, equipment, assets, and premises.

Anti-hybrid rules: The provisions of the EU anti-tax avoidance directive (ATAD I and ATAD II) addressing hybrid mismatches have been implemented in Portuguese legislation. In general, expenses are not tax deductible in situations qualifying as hybrid mismatches for the purposes of the rules. Among other things, these mismatches include situations involving “double deduction” or “deduction without inclusion” outcomes, reverse hybrid mismatches, and tax residence mismatches.

Economic substance requirements: No specific economic substance provisions have been introduced.

Disclosure requirements: Under the provisions of the EU “DAC 6” directive, as transposed into Portuguese legislation, taxpayers or their agents must disclose to the Portuguese tax authorities certain corporate restructurings or transactions in which they are involved that may lead to substantial tax benefits, when they include specific “hallmarks.” Portuguese legislation goes beyond the provisions of the directive in requiring that certain purely domestic situations also be reported.

Resident entities that are included in multinational groups are required to file a declaration disclosing certain financial and tax information, on a country-by-country basis.

Commercial entities must register their ultimate beneficial owners, or those with effective control (“RCBE registration”).

Exit tax: An exit tax will be imposed when an entity that is resident for tax purposes in Portugal (or a Portuguese permanent establishment of a nonresident entity) is redomiciled to another jurisdiction. The tax is due on the value

corresponding to the difference between the fair market value and the book or nominal value of the company's assets and liabilities. The tax due may be paid immediately in full or, under certain circumstances, in installments.

There is no general exit tax applicable to individuals. However, there are two situations in which tax may apply:

- When an individual moves from Portugal and becomes a nonresident for tax purposes, any capital gains that were not taxed from transactions realized while the individual was a Portuguese tax resident will be subject to taxation; and
- Regarding crypto asset-related transactions (see "Taxable income" under "Individual taxation," above), taxation may also occur when an individual changes their tax residence to another jurisdiction.

General anti-avoidance rule: Under the general anti-abuse clause, the tax authorities may disregard an arrangement or a series of arrangements that, having been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law, are concluded with the abuse of legal forms and are not genuine having regard to all relevant facts and circumstances. The Portuguese tax legislation also prescribes specific anti-avoidance rules addressing certain types of operations (for example, corporate reorganizations).

Other: Payments to entities located in listed tax havens are, in principle, not deductible. An entity located in a listed tax haven also will not benefit from the exemption on gains from the disposal of shares or other securities otherwise available to nonresidents.

Value added tax

Rates	
Standard rate	23% in mainland Portugal, 22% in Madeira, and 16% in the Azores
Reduced rate	0%, 6%, and 13% in mainland Portugal; 0%, 5%, and 12% in Madeira; 0%, 4%, and 9% in the Azores

Taxable transactions: VAT is generally imposed on the supply of goods and services, and on imports.

Rates: For the mainland, a standard rate of 23%, an intermediate rate of 13%, and a reduced rate of 6% apply. The rates are 22%, 12%, and 5% in Madeira, and 16%, 9%, and 4% in the Azores. Certain transactions are eligible for a VAT exemption with the right to deduct input VAT (i.e., a zero rate), while other transactions are VAT exempt without the right to deduct input VAT.

Registration: A reverse charge mechanism applies to local supplies made by entities that are not established in Portugal to other VAT-taxable entities ("B2B supplies"), avoiding the registration obligation for the supplier. However, non-established suppliers generally are required to register for VAT in Portugal on the transfer of their own stocks of goods to Portugal for the purposes of their own undertakings, or if they sell goods or supply services to private customers (there is, however, a relief regime with specific rules). If an entity is registered in Portugal for VAT purposes but does not have a permanent establishment and a VAT representative in Portugal (possible for EU-established entities), the reverse charge mechanism will still apply to local B2B supplies.

Filing and payment: Monthly returns must be filed when annual turnover exceeds EUR 650,000 (otherwise, returns are filed quarterly). Monthly VAT returns must be filed by the 20th day of the second month following the end of the relevant month. Payment is due by the 25th day of the second month following the end of the relevant month.

Quarterly returns must be filed by the 20th day of the second month following the end of the relevant quarter. Payment is due by the 25th day of the second month following the end of the relevant quarter.

Other: As a rule, among other limitations, the Portuguese VAT Code does not allow a refund of VAT for food and beverages, accommodation, car expenses, and business trips.

Taxpayers (including non-established entities registered for VAT purposes in Portugal) that carry out operations that are subject to Portugal's VAT invoicing rules (including, but not limited to, operations where local VAT needs to be charged) must use invoicing software certified by the Portuguese tax authorities if their annual turnover is higher than EUR 50,000.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security: An employer is required to contribute 23.75% of the uncapped monthly gross salary of its employees, including board members; the employee contributes 11%. The employer's contribution is deductible for corporate income tax purposes.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: A real property tax is imposed annually by municipalities. The rates range from 0.3% to 0.8% of the taxable value of the property and the tax is deductible for corporate income tax purposes. A rate of 7.5% applies if the owner of the real property is located in a listed tax haven or if the owner is dominated or controlled, directly or indirectly, by an entity that is domiciled or tax resident in a listed tax haven.

Entities or individuals owning residential real estate or "building land" are subject to an additional annual real property tax (AIMI), the tax base of which is the sum of the fiscal value of all eligible urban property owned by each taxpayer.

For individuals and undivided inheritances, the AIMI is imposed at a 0.7% rate. In the case of individuals, there is also a marginal rate of 1% that applies to a tax base exceeding EUR 1 million and up to EUR 2 million (or twice that amount in the case of married taxpayers or taxpayers living together), and a marginal rate of 1.5% that applies to a tax base that exceeds EUR 2 million (or twice that amount for married taxpayers or taxpayers living together).

For corporate taxpayers, the AIMI rate is 0.4%, regardless of the amount of the AIMI tax base (in a case where residential property is used by the shareholders or board members, progressive rates apply up to 1.5%). For entities domiciled or tax resident in listed tax havens, the AIMI rate is 7.5%.

Transfer tax: Real estate transfer tax is imposed by municipalities at a maximum rate of 7.5% on the transfer of residential property, 5% on the transfer of rural property, 6.5% on the transfer of other urban property, and 10% if the purchaser is located in a listed tax haven or if the owner is dominated or controlled, directly or indirectly, by an entity that is domiciled or tax resident in a listed tax haven. An additional 0.8% stamp duty also applies.

Real estate transfer tax also is due on the acquisition of shares in specific companies (for example, an SA or an Lda) under the following circumstances:

- More than 50% of the value of the assets of the company whose shares are transferred is derived, directly or indirectly, from real estate assets located in Portugal, considering the higher of the tax value of such assets or their book value;
- The real estate assets are not allocated to an agricultural, industrial, or commercial activity, or are allocated to a real estate trading activity; and

- Any of the shareholders becomes the owner of 75% or more of the company's share capital as a result of the transaction.

Stamp duty: Subject to exemptions, stamp duty is imposed on various types of agreements, deeds, and documents, as well as certain transactions not subject to VAT, such as the acquisition of real estate, leases and subleases, loans, guarantees and other financial transactions, insurance premiums, and certain bets.

Net wealth/net worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: For gifts and inheritances, stamp duty is imposed at a 10% rate (unless the recipient/heir is the spouse, descendant, or ancestor of the donor/deceased, in which case an exemption applies).

Other: Various other taxes apply, including taxes on carbon emissions, oil and energy products, tobacco, alcohol and alcoholic beverages, added-sugar drinks, food containers, plastic bags, and disposable packages used for ready-to-eat meals.

Tax treaties: Portugal has concluded more than 75 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS MLI) entered into force for Portugal on 1 June 2020.

For further information on Portugal's tax treaty network, visit [Deloitte International Tax Source](#).

Tax authorities: Tax and Customs Authority (*Autoridade Tributária e Aduaneira*)

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