

FACT_sheet

2009


TaxesInPortugal

where-to-invest-in-portugal.com

ABOUT THE FACT_sheet.TaxesInPortugal

The Fact_sheet.TaxesInPortugal shows the most important types of taxes a business has or may have to comply in Portugal. NOTE that there are special rates for most taxes in the Autonomous Regions of Azores and Madeira which are lower than those for the rest of country.

Companies can also establish in the Madeira Free Zone, a restrictive area in the Autonomous Region of Madeira, and benefit from a very favourable tax regime.

The statistics and data are provided by  mCorporate

INCOME TAX - INDIVIDUALS: Personal Income Tax (IRS)

Portuguese Personal Income Tax (“Imposto sobre o Rendimento das Pessoas Singulares” or IRS) is applicable to either the income obtained by resident or non-resident entities. Regarding non-resident entities only their income obtained in Portuguese territory is taxed, contrary to resident entities where the global income, either from internal or external sources, is subject to taxes.

The taxation period is the civil year.

Regarding resident entities, some kind of income may be taxed through final withholding tax, or together with their overall income at a progressive IRS rate that can reach a maximum of 42%, through the delivery of the respective Income Tax Return (“Declaração Modelo 3”). Non-resident entities may be taxed either by definitive withholding tax or are obliged to the delivery of the “Declaração Modelo 3” in some situations (namely in case of capital gains).

RESIDENTS	TAX RATE	OBS.
Overall Income	Up to 42%	Progressive tax rate applicable to the overall income on the delivery of the respective annual income tax Return. Amounts withheld may be credited against the IRS due.
Dividends	20%	There is an option available to tax this income together with the respective overall income.
Capital Gains (Securities)	10%	There is an option available to tax this income together with the respective overall income.
Capital Gains (Real Estate)	-	This type of income must be taxed together with the respective overall income, but only in 50% of its total amount.
Interests from bonds and bank deposits	20%	There is an option available to tax this income together with the respective overall income.

NON-RESIDENTS	TAX RATE	OBS.
Capital Gains (Securities)	10%	Capital Gains on Government and Corporate Bonds are exempt. There is also an exemption for securities negotiated in regulated stock-markets regarding securities issued by Portuguese entities. Anti-abuse regulations may apply. Annual Income Statement must be delivered.
Capital Gains (Real Estate)	25%	Annual Income Statement must be delivered.
Dividends	20%	This tax may be reduced or eliminated according to double tax treaties or Parents-Subsidiary Directive.
Interests	20%	This tax rate may be reduced up to 10% according to double tax treaties or Directive n.º 2003/49/CE.
Bonds	Exempt	This tax exemption is applicable to either interests or capital gains on both, government and corporate bonds. Anti-abuse regulations may apply.
Royalties	15%	This tax rate may be reduced up to 5% according to double tax treaties or Directive n.º 2003/49/CE.
Other services	20%	Some exceptions may apply. This tax may be reduced or eliminated according to double tax treaties.

INCOME TAX - CORPORATE ENTITIES: Corporate Income Tax (IRC)

Portuguese Corporate Income Tax (“Imposto sobre o Rendimento das Pessoas Colectivas” or IRC) is applicable to either the income obtained by resident or non-resident entities. Regarding non-resident entities only their income obtained in Portuguese territory is taxed, contrary to resident entities where the global income, either from internal or external sources, is subject to taxes.

The taxation period is normally the civil year, but it can be adopted a different one in some special cases.

Transfer Pricing rules apply in Portugal. Thin Capitalization Rules apply only to entities resident outside the UE.

Resident entities are normally taxed through the delivery of the respective Income Statement (“Declaração Modelo 22”) for their global income. Non-resident entities may be taxed either by definitive withholding tax or are obliged to the delivery of the Declaração Modelo 22 in some situations (namely in case of capital gains).

RESIDENTS	TAX RATE	OBS.
Corporate entities	25%	Applicable to the overall income on the delivery of the respective annual income statement. Amounts withheld may be credited against the IRC due.
Branch of foreign companies	25%	
Municipal Surcharge	0%-1,5%	Tax Rate applicable to taxable income calculated before considering tax losses carried forward.
Note: Entities resident in the interior of the Portuguese Territory may benefit from lower IRC rate, that can be reduced up to 10%. There are several benefits available, namely additional deductions for the young people liquid job creation.		

NON-RESIDENTS	TAX RATE	OBS.
Capital Gains (Securities)	25%	Capital Gains on Government and Corporate Bonds issued by Portuguese entities are exempt. There is also an exemption for capital participations and other securities. Anti-abuse regulations may apply. Annual Income Statement must be delivered.
Dividends	20%	This tax may be reduced or eliminated according to double tax treaties or Parents-Subsidiary Directive.
Interests	20%	This tax rate may be reduced up to 10% according to double tax treaties or Directive n.º 2003/49/CE.
Bonds	Exempt	This tax exemption is applicable to either interests or capital gains on both, government and corporate bonds. Anti-abuse regulations may apply.
Royalties	15%	This tax rate may be reduced up to 5% according to double tax treaties or Directive n.º 2003/49/CE.

INDIRECT TAX - Value Added Tax (VAT) and Stamp Duty Tax

The Portuguese VAT is a consumption tax, applicable to every transactions of goods, rendering of services, importations and intracomunitary acquisition of goods. It has a reasonable degree of harmonization towards EU legislation.

There are several exemptions and tax reductions available, meaning that a case by case analysis of every operation is needed in order to apply the most suitable tax frame.

TAXABLE OPERATION	TAX RATE	OBS.
General Rate	20%	Levied on goods and services in general.
Intermediate rate	12%	Levied namely on some kind of food products and restaurants.
Reduced rate	5%	Levied namely on essential food products, books and hotels.
Note: Some exemptions may apply, namely on financial services, real estate and health care services. Madeira and Açores have lower VAT rates applicable.		

The Stamp Duty Tax is levied, namely, on financial, insurance and real estate operations, share capital increases and inheritance transmissions.

TAXABLE OPERATION	TAX RATE	OBS.
Credit operations and guarantees	up to 0,6%	Some exemptions may apply namely in operations with respective share holders and between financial institutions.
Insurance premium	up to 9%	Some kind of insurance may be exempt.
Real estate acquisitions	0,8%	Acquisition of donation of property rights on real estate property.
Share capital increases	0,4%	Share capital increases in cash are not subjected to STD.
Inheritance transmissions	10%	Some realities may not be exempt from STD, namely the following: - Transmissions between first degree relatives; - Investment and pension funds transmissions.

UNIQUE CIRCULATION TAX (for vehicles)

This tax is paid every year according to the registration month of the vehicle in Portugal. It applies to all motor vehicles and the tax rate depends on the year of registration, type of the vehicle, gross weight, fuel, and/or CO2 emissions.

PROPERTY TAX

Property Transfer Tax is supported by the respective buyer entity, every time an asset concerning real estate located in the Portuguese territory is acquired.

TAXABLE OPERATION	TAX RATE	OBS.
Personal residence	0%-6%	Progressive tax rate with the maximum ceiling for Real Estate over EUR 543.900.
Residential Real Estate	1%-6%	Progressive tax rate with the maximum ceiling for Real Estate over EUR 521.700.
Other real estate for construction purposes	6.5%	-
Farm Land	5%	-
Note: Anti-abuse regulations may apply, namely an 8% flat tax rate is applicable to tax haven resident owners. Some exemptions may apply.		

REAL ESTATE MUNICIPAL TAX (IMI)

Real Estate Municipal Tax is an annual tax that must be paid by whom is the respective owner of the real estate on the 31st of December of the respective year. Tax rates are determined by each municipe.

TAXABLE OPERATION	TAX RATE	OBS.
Real estate for construction purposes	0,4%-0,8%	Real Estate evaluated according to old rules (until December 2003).
Real estate for construction purposes	0,2%-0,5%	Tax rates applicable to Real Estate evaluated according to new IMI rules (from December 2003).
Other real estate for construction purposes	6.5%	-
Note: Anti-abuse regulations may apply, namely an 1% flat tax rate is applicable to tax haven resident owners. Some exemptions may apply. Returned Real Estate buildings for more than one year ought to be taxed at the double of the above mentioned tax rates.		

AZORES: CORPORATE INCOME TAX (IRC) AND PERSONAL INCOME TAX (IRS)

Income tax rates applicable to residents in Azores are, in general terms, 30% (for corporate entities) and 20% (for individuals), lower than equivalent tax rates applied in mainland.

MAJOR TAXES	TAX RATE	OBS.
IRC - Corporate resident entities	17.5%	Applicable to the overall income on the delivery of the respective annual income statement. Amounts withheld may be credited against the IRC due.
IRS - Resident individuals	up to 33,6%	Progressive tax rate applicable to the overall income on the delivery of the respective annual income statement. Amounts withheld may be credited against the IRS due.

AZORES: VALUE ADDED TAX (VAT)

Reduced VAT rates are applicable to operations considered localized in Azores territory.

MAJOR TAXES	TAX RATE	OBS.
General Rate	14%	Levied on goods and services in general.
Intermediate rate	8%	Levied namely on some kind of food products and restaurants.
Reduced rate	4%	Levied namely on essential food products, books and hotels.
Note: Some exemptions may apply, namely on financial services, real estate and health care services.		

AZORES: OTHER BENEFITS

There are several tax benefits available to entities investing in Azores, namely exemptions on profits reinvested or contractual tax benefits for bigger investment projects (namely exemptions on SDT, on Property Tax and additional deductions on IRC).

MADEIRA: CORPORATE INCOME TAX (IRC) AND PERSONAL INCOME TAX (IRS)

Income tax rates applicable to residents in Azores are, in general terms, 30% (for corporate entities) and 20% (for individuals), lower than equivalent tax rates applied in mainland.

MAJOR TAXES	TAX RATE	OBS.
IRC - Corporate resident entities	20%	Applicable to the overall income on the delivery of the respective annual income statement. Amounts withheld may be credited against the IRC due.
IRS - Resident individuals	up to 41%	Progressive tax rate applicable to the overall income on the delivery of the respective annual income statement. Amounts withheld may be credited against the IRS due.

MADEIRA: VALUE ADDED TAX (VAT)

Reduced VAT rates are applicable to operations considered localized in Azores territory.

MAJOR TAXES	TAX RATE	OBS.
General Rate	14%	Levied on goods and services in general.
Intermediate rate	8%	Levied namely on some kind of food products and restaurants.
Reduced rate	4%	Levied namely on essential food products, books and hotels.
Note: Some exemptions may apply, namely on financial services, real estate and health care services.		

OTHER BENEFITS

There are several tax benefits available to entities investing in Madeira, namely exemptions on profits reinvested or contractual tax benefits for bigger investment projects (namely exemptions on SDT, on Property Tax and additional deductions on IRC).

MADEIRA FREE ZONE (MFZ)

Madeira Free Zone is a restricted area where companies may develop their activity and benefit from one of the most favourable tax regimes in the European Jurisdictions. In addition it is a tax regime accepted by the EU authorities.

MADEIRA FREE ZONE: CORPORATE INCOME TAX (IRC) AND PERSONAL INCOME TAX (IRS)

Special Tax Regime on MFZ is applicable to entities established on that same territory, regarding the respective income obtained outside the Portuguese territory.

MAJOR TAXES	TAX RATE	OBS.
IRC - Corporate resident entities licensed until 31/12/2000	Exempt	Exemption applicable until 31/12/2011.
IRC - Corporate resident entities licensed from 01/01/2003 to 31/12/2006	3%	3% reduced tax rate applicable until 31/12/2011. Requirements of minimum investment must be fulfilled. Benefit applicable to a maximum of EUR 125.000.000 of taxable profit.
IRC - Corporate resident entities licensed from 01/01/2007	3% to 5%	- 3% reduced tax rate applicable until 31/12/2009; - 4% reduced tax rate applicable from 01/01/2010 until 31/12/2012; - 5% reduced tax rate applicable from 01/01/2013 until 31/12/2020. Requirements of minimum investment must be fulfilled. Benefit applicable to a maximum of EUR 150.000.000 of taxable profit.
IRC and IRS - Shareholders on MFZ corporate entities	Exempt	Exemption applicable to dividends paid and to interests paid by MFZ corporate entities.

MADEIRA FREE ZONE: VALUE ADDED TAX (VAT)

MFZ is a territory located in Madeira, so the same reduced VAT rates applicable to Madeira territory are applicable to MFZ. There may be additional exemptions or other benefits applicable to MFZ. A case by case analysis should be adopted.

MAJOR TAXES	TAX RATE	OBS.
General Rate	14%	Levied on goods and services in general.
Intermediate rate	8%	Levied namely on some kind of food products and restaurants.
Reduced rate	4%	Levied namely on essential food products, books and hotels.
Note: Some exemptions may apply, namely on financial services, real estate and health care services.		

MADEIRA FREE ZONE: OTHER BENEFITS

General exemption on STD on the operations executed by these entities. General IRC exemption applicable to income related, namely, to royalties and services rendering paid to non-resident entities.

PORTUGUESE INVESTMENT FUNDS

There are three major different types of Investment Funds, considering the tax regime in Portugal:

- Securities Investment Funds (FIM);
- Real Estate Investment Funds (FII);
- Funds of Funds (FF).

Investment Funds are a very tax efficient vehicle for some kind of investments, given its global tax frame, specially in some particular cases, like the Urban Real Estate Rehabilitation investments made in the historical city centres.

There also additional tax benefits for these kind of investment vehicles, namely, in terms of property tax.

Regarding Investment Funds Tax regime in Portugal there are two levels of taxation:

- Taxation of the Funds' income;
- Taxation of the Unit holders' income (investors).

TAXATION OF THE FUND'S INCOME: SECURITIES INVESTMENT FUNDS (FIM)

TYPE OF INVESTMENTS	TAX RATE	OBS.
Securities Capital Gains	10%	-
Other income	20% to 25%	Tax rates may vary, majorly, between these values depending on the type on income.

TAXATION OF THE FUND'S INCOME: REAL ESTATE INVESTMENT FUNDS (FII)

TYPE OF INVESTMENTS	TAX RATE	OBS.
Real Estate Income (rents)	20%	-
Real Estate Capital Gains	12.5%	-
Other income	FIM's tax rates	The taxation is made in a similar way as to FIM for the same type of income.

TAXATION OF THE FUND'S INCOME: FUNDS OF FUNDS (FF)

TYPE OF INVESTMENTS	TAX RATE	OBS.
Income from units of other investment funds	Exempt	-
Other income	FIM and FII's tax rates	The taxation is made in a similar way as to FIM and FII for the same type of income.

TAXATION OF THE FUND'S INCOME: FII FOR URBAN REHABILITATION AND FOREST RESOURCES INVESTMENTS

TYPE OF INVESTMENTS	TAX RATE	OBS.
Global income	Exempt	-

TAXATION OF THE UNIT HOLDERS' INCOME: SECURITIES AND REAL ESTATE INVESTMENT FUNDS (FIM AND FII)

TYPE OF INVESTMENTS		TAX RATE	OBS.
Resident Individuals (IRS)	FII and FIM units	Exempt	There is an option available to tax this income together with the respective overall income. In this case, amounts withheld to the fund may be credited against the IRS due.
	FII and FIM units' Capital Gains	10%	There is an option available to tax this income together with the respective overall income.
Corporate (IRC and IRS under a commercial activity)	FII and FIM units	Respective IRS or IRC rate	Applicable to the overall income on the delivery of the respective annual income statement. Amounts withheld to the fund may be credited against the IRS/IRC due.
	FII and FIM units' Capital Gains	Respective IRS or IRC rate	pplicable to the overall income on the delivery of the respective annual income statement.

TAXATION OF THE UNIT HOLDERS' INCOME: FUNDS OF FUNDS (FF)

TYPE OF INVESTMENTS		TAX RATE	OBS.
Resident Individuals (IRS)	FF units	Exempt	-
	FF units' Capital Gains	10%	There is an option available to tax this income together with the respective overall income.
Corporate (IRC and IRS under a commercial activity)	FF units	Respective IRS or IRC rate	Applicable only to 40% of the respective income to be taxed together with the overall income on the delivery of the respective annual income statement.
	FF units' Capital Gains	Respective IRS or IRC rate	Applicable to the overall income on the delivery of the respective annual income statement.
Non-residents (IRS or IRC)	FF units	Exempt	-
	FF units' Capital Gains	Exempt	-

TAXATION OF THE UNIT HOLDERS' INCOME: FII FOR URBAN REHABILITATION AND FOREST RESOURCES INVESTMENTS

TYPE OF INVESTMENTS		TAX RATE	OBS.
Resident Individuals (IRS)	FII units	10%	There is an option available to tax this income together with the respective overall income.
	FII units' Capital Gains	10%	There is an option available to tax this income together with the respective overall income.
Corporate (IRC and IRS under a commercial activity)	FII units	Respective IRS or IRC rate	Applicable to the overall income on the delivery of the respective annual income statement.
	FII units' Capital Gains	Respective IRS or IRC rate	Applicable to the overall income on the delivery of the respective annual income statement.

SOCIAL SECURITY: SOCIAL SECURITY CONTRIBUTIONS (SS) - EMPLOYED PEOPLE

Either the employer and the employee entities are obliged to SS contributions.

	TAX RATE	OBS.
SS contribution of the employer	23,75%	-
SS contribution of the employee	11%	-
Note: The employer must deliver both the contributions until the 15 of the month following the month they refer to.		

SOCIAL SECURITY: SOCIAL SECURITY CONTRIBUTIONS (SS) - BOARD PEOPLE


Either the corporate entities and board members individuals are obliged to SS contributions.

	TAX RATE	OBS.
SS contribution of the company	21,25%	-
SS contribution of the individuals	10%	-
Note: The company must deliver both the contributions until the 15 of the month following the month they refer to.		

PAYING TAXES

Companies should first submit an on-line form in the WebPages of the Directorate-General for Taxation (DGCI) (<http://www.e-financas.gov.pt>) or Social Security (<http://www.seg-social.pt>) (both in Portuguese only). Taxes can be paid in person at the local offices or through the Internet.

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