

Corporate Income Tax in Portugal

Understanding the nuances of corporate taxation in Portugal is crucial for effectively advising your international clientele

By **Catarina Sardinha**, 19th May 2025

Understanding the nuances of corporate taxation in Portugal is crucial for effectively advising your international clientele or to understand your business as an entrepreneur for your Portugal company. Below provides a snapshot of corporate tax implications in Portugal, however, engaging with a professional is advised, as it is likely that not only corporate tax requires consideration.

Taxation of Resident Companies:

Generally, companies considered tax residents in Portugal face taxation on their worldwide income.

Standard Corporate Income Tax Rates in Portugal:

A flat Corporate Income Tax (CIT) rate of 19% is levied on the total taxable income of companies' resident in mainland Portugal for tax periods starting on or after 1 January 2026. The CIT rate is set to decrease further to 18% in 2027 and 17% in 2028.

The Autonomous Region of Madeira and the Autonomous Region of the Azores benefit from a reduced standard CIT rate of 13.3%*, which also applies to Permanent Establishments (PE's) of foreign entities registered within these regions.

Summary of Key CIT Rates

The corporate income tax rates vary significantly and are detailed below:

| | Portuguese Mainland Company | Madeira Company | International Business Centre of Madeira Company (for international activity) |
|--|------------------------------------|------------------------|--|
| First €50,000 of taxable income (small-medium enterprises) | 15% | 10.5% | 5% |

Taxable income above
€50,000 (small-medium 19% 13.3% 5%
enterprises)

Note: The rate for companies within the International Business Centre of Madeira (IBC) are subject to specific substance requirements being met.

The CIT rates above are applicable for tax periods starting on or after 1 January 2026 with further reductions applicable for 2027 and 2028.

Other Tax Rates

Reduced Rates for Small Medium Enterprises and Small Mid-Caps

Recognising the importance of small and medium-sized enterprises (SMEs) and small-medium capitalisation (Small Mid-Caps) companies, Portugal offers a reduced CIT rate of 15% (or 10.5%* in Madeira and Azores) on the first €50,000 of taxable income. Any income exceeding this threshold is subject to the standard CIT rate.

Furthermore, SMEs and Small Mid-Caps actively operating and effectively managed in inland territories of mainland Portugal can benefit from an even lower rate of 12.5% on the initial €50,000 (or 8.75% in the Azores and specific territories in Madeira). These classifications align with the EU Commission Recommendation 2003/361 and the European Investment Bank/European Investment Fund definitions.

5% Corporate Tax Rate in the Madeira International Business Centre

Madeira offers a corporate tax rate of 5% for international business activities in certain sectors for companies that are registered and have obtained a license to operate within the Madeira International Business Centre (MIBC). Read [here](#) for more information.

Special Rate for Startups

Entities that qualify as **startups** are subject to a **12.5% CIT rate** (or **8.75%** in Madeira) on their first €50,000 of taxable income, with the standard CIT rate applying to any excess.

Permanent Establishments

The corporate income tax rate of 19% is also applied to Portuguese PE's of foreign entities located on the mainland. An optional regime exists that allows for the exclusion of profits and losses attributed to a foreign PE.

This exclusion is contingent upon several conditions outlined below:

- The PE's profits must be subject to a tax as outlined in the EU Parent/Subsidiary Directive or a similar tax to the Portuguese CIT with a legal rate of at least 12.6%.
- The PE cannot be in a jurisdiction blacklisted by Portugal.

- The effective tax on the PE's income should not be lower than 50% of the CIT that would be due under Portuguese law (unless specific requirements are met).

It is important to note that this optional regime has limitations, particularly regarding the offset of prior PE losses. Furthermore, if a company chooses this regime, it must apply to all PEs within the same jurisdiction for a minimum of three years.

Taxation of Non-Resident Companies

For non-resident entities, CIT applies specifically to Portugal-source income that is attributable to a PE within Portugal. Income generated in Portugal by non-residents without a PE is typically subject to special Withholding Tax rates.

Note: The rate for companies within the International Business Centre of Madeira (IBC) are subject to specific substance requirements being met.

Corporate Income Tax Rates for Inland Territories (SMEs & Small Mid-Caps)

| Taxable Income Bracket | Mainland Portugal Inland Territory | Autonomous Region of Azores Inland Territory | Autonomous Region of Madeira Inland Territory |
|---------------------------------|------------------------------------|--|---|
| First €50,000 of taxable income | 12.5% | 8.75% | 8.75% |
| Taxable income above €50,000 | 19% | 13.3% | 13.3% |

Note that these companies need to be located in specific territories and that there needs to be specific substance in place to substantiate the lower tax rate.

The CIT rates above are applicable for tax periods starting on or after 1 January 2026 with further reductions applicable for 2027 and 2028.

Surtaxes

Beyond the standard CIT rates, the following surtaxes may apply to corporate taxable income (before deducting loss carry forwards) as an additional tax charge:

- **Local Surtax** (*Derrama Municipal*): Up to 1.5% in certain municipalities, paid with the CIT return.
- **State Surtax** (*Derrama Estadual*): Applicable to commercial, industrial, and agricultural activities (resident and non-resident with PE), paid in three instalments:
 - 3% on profit between €1.5M and €7.5M.
 - 5% on profit between €7.5M and €35M.
 - 9% on profit exceeding €35M.
- **Regional Surtax** (*Derrama Regional*):

- **Madeira:** 2.1% (€1.5M-€7.5M), 3.5% (€7.5M-€35M), 6.3% (>€35M).
- **Azores:** 2.4% (€1.5M-€7.5M), 4% (€7.5M-€35M), 7.2% (>€35M).

Compliance and Deadlines

Digital tax reporting is required (see [here](#) for more information) and there are two primary deadlines for the annual tax return in Portugal, namely:

- the *Modelo 22* (the main corporate income calculation to determine the taxable result due 31 May of the following tax year; and
- the *IES (Informação Empresarial Simplificada)* which is the mandatory electronic tax declaration (which is a summary of accounting, statistical, and other fiscal data) due 15 July of the following tax year.

Beyond the annual returns mentioned, Portugal's tax system requires Portuguese companies to make three payments (payments on account) during the year based on the prior year's tax liability throughout the year: July, September, and December.

Further, VAT returns are also required to be submitted throughout the year (see [here](#) for more information).

Below represents a summary of the applicable CIT deadlines for compliance purposes:

| Requirement | Deadline (Typically) | Purpose |
|---------------------|--|----------------------------|
| Modelo 22 | 31 May of the following year | Annual Income Tax Return |
| IES | 15 July of the following year | Mandatory Electronic Tax D |
| VAT Returns | Monthly or quarterly (See <i>Reporting of VAT</i> here) | Consumption tax reporting |
| Payments on Account | July, September, December | Advance corporate income |

Reach Out

By staying informed and engaging with an appropriate professional about a jurisdiction's tax regulations can provide valuable guidance and support to operating a business in Portugal, particularly those involved in international activities or who are not from Portugal. Other taxes (such as VAT, social security on employees, among others) may apply and will need to be considered.

Dixcart Portugal provide a host of accounting, tax and consulting services. Reach out for more information at advice.portugal@dixcart.com.

Note that this is not tax advice and is for information purposes only.