

Important Personal Tax Considerations in Portugal – a Snapshot

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By **Silvia Santos**, 19th February 2024

Portugal has emerged as a popular destination for expats and retirees, enticing with its sunshine, beaches, and relaxed lifestyle. But before packing your bags, understanding the personal tax landscape is crucial – particularly before making the move to Portugal. This article explores the key personal tax consequences you need to consider when relocating to Portugal.

Resident Versus Non-Resident:

Your tax status significantly impacts on your tax obligations.

Residents, defined as staying in Portugal for over 183 days, or regardless of spending any days maintains a habitual residence in Portugal during any day, are taxed on their worldwide income.

In contrast, non-residents are only taxed on income sourced from Portugal.

Tax Rates:

Residents face [progressive tax rates](#), which range from 12.5% to 48% for 2025, depending on their income tax bracket (see here for [marginal tax rates](#)) – with a possible additional solidarity rate of 2,5% (for taxable income over €80,000 up to €250,000) or 5% (if over € 250,000.00 taxable income). Non-residents encounter a flat rate of 25% on most income types and 28% on rental income. However, special regimes such as the

Income Categories:

Income in Portugal is categorized, with each category potentially subject to different tax rates. Common categories include:

- Employment income: Residents are taxed at [progressive rates](#) (up to 48% with surplus tax of 2,5% or 5%, when applicable), while non-residents are subject to a flat rate.
- Business income: Taxation varies depending on business structure and residency status. In addition, international tax planning may be required for income earned outside of Portugal.
- House Rental income: Generally taxed at 25% for residents and non-residents, with potential reductions for long-term contracts.
 - More than 5 and less than 10 years – taxed at 15%
 - More than 10 and less than 20 – taxed at 10%
 - Over 20 years – taxed at 5%
 - See [here](#) for more information on property related taxes.
- Investment income: Dividends and interest are usually taxed at 28%, but individuals under the NHR programme may benefit from personal tax exemptions. Capital gains are taxed at rates ranging from 28% to 35% or other rates depending on the source of the capital gain.
- Going solo in Portugal – Self-employed individuals may be subject to unique tax assessment. [Read here for more details.](#)

Deductions and Allowances:

Portugal offers various deductions and allowances to reduce your tax burden. These include expenses related to:

- Health
- Education
- Mortgage interest
- Pension contributions
- Charitable donations
- Other expenses – such as rent, VAT on food, car repairs, etc

In Portugal, residents rely on their “*Número de Identificação Fiscal*” (NIF), a unique 9-digit tax identification number assigned to both individuals and companies. This number serves as your key for tax purposes and is required for financial transactions.

Social Security Contributions:

A frequently overlooked aspect of Portuguese taxes is social security contributions. Both residents and non-residents contribute, with rates varying based on income and employment status. These contributions unlock valuable social benefits, including; healthcare, unemployment benefits, parental leave, and pensions. Understanding your specific contribution requirements and potential benefits is crucial for informed financial planning in Portugal. [Read here for more details.](#)

Non-Habitual Resident (NHR) Programme:

This attractive programme offers significant tax benefits for qualifying individuals. Read [here](#) for more information.

Tax Filing (IRS Return)

Filing of taxes is of paramount importance and timing is everything. Consulting with your accountant ahead of time and maintaining key records are key to ensuring penalties are avoided and non-compliance in Portugal. An annual return is required to be submitted for income relating to the preceding tax year and other information relevant to the Portuguese tax authorities. Note that the tax year in Portugal runs in line with the calendar year – January to December. The period for submission of the IRS return is from 1 April to 30 June – however, individuals are encouraged to prepare before this time to ensure submissions are made within the respective timeframe.

Seeking Professional Advice:

Navigating Portugal's tax system can be complex. Consulting a qualified professional, familiar with the Portuguese tax system and your specific situation is highly recommended. They can guide you through the intricacies of the system, ensuring compliance and potentially maximizing your tax benefits.

Remember:

This article provides a general overview and should not be considered as personalised tax advice. Individual circumstances and specific tax situations may require further analysis by a qualified professional.

By understanding the personal tax consequences in Portugal, you can make informed decisions and approach your move with greater confidence. Remember, proper planning and professional guidance can ensure a smooth transition and help you optimise your tax position in this beautiful country.

Please do reach out to Dixcart Portugal for more information:

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