

Property Taxes in Portugal: A Guide for Buyers, Sellers, and Investors

Dixcart have summarised below property tax in Portugal (note that this is a general information note and should not be taken as tax advice).

By **Lionel de Freitas / Cátia Silva**, 25th March 2025

Portugal has emerged as a popular destination for property investment, offering a blend of lifestyle and financial benefits. But, beneath the surface of this sunny paradise lies a complex tax system that can impact your returns. This guide unravels the mysteries of Portuguese property taxes, from annual levies to capital gains, ensuring you are well-prepared to navigate the landscape.

Dixcart have summarised below some of the tax implications applicable in Portugal (note that this is a general information note and should not be taken as tax advice).

- Individuals

- **Residential Property Rental Income:** A flat tax rate of 25% applies to net rental income from residential properties, regardless of whether the individual is a tax resident or not. However, reduced tax rates are available for long-term rental contracts:
 - More than 5 and less than 10 years: 15%
 - More than 10 and less than 20: 10%
 - Over 20 years: 5%

- Companies

- Net rental income earned through a company is taxed differently depending on the company's tax residency status.

- **Resident Companies:** Net rental income is taxed at rates between 16% and 20% in mainland Portugal, and between 11.9% and 14.7% for properties located in Madeira.

- **Non-Resident Companies:** Net rental income is taxed at a flat rate of 20%.

Qualifying expenses may be used to reduce the taxable income due – provided it forms part of the income producing activity.

Specific nuances exist for the tax and licensing requirements of short-term rentals in Portugal. See [here](#) for more details.

As a tax resident of Portugal, an individual is subject to tax on their worldwide income, including rental income from properties held personally outside of Portugal. This foreign rental income is generally taxed at a flat rate of 28%. However, a taxpayer can opt to have this income taxed under Portugal's progressive marginal income tax rates if it results in a lower tax liability.

The process of taxing foreign rental income involves two key steps:

1. The rental income is first taxed in the country where the property is located.

1. The income is then declared in Portugal.

To prevent double taxation, a double taxation agreement may exist where Portugal may provide a tax credit for the tax already paid abroad. The final tax liability in Portugal is the difference between the tax calculated at the Portuguese rates and the tax credit. This ensures the individual's total tax burden on that income equals the higher of the two countries' tax rates.

The following rates apply to both individual and corporate buyers (unless otherwise stated) upon purchase and ownership of property in Portugal:

- **Stamp Duty on the Purchase of a Property**

- A stamp duty is levied upon purchases of property in Portugal:

- **Rate:** The stamp duty rate is 0.8% of the higher value between the purchase price and the VPT (Taxable Property Value). As the VPT is usually lower than the purchase price, the stamp duty is typically calculated on the purchase price.

- **Payment and When to Pay:** The buyer is responsible for paying the stamp duty *before* the final deed is signed. Proof of payment must be provided to the notary.

- **Property Transfer Tax:** In addition to stamp duty, when a property changes ownership in Portugal, a transfer tax called IMT (*Imposto Municipal sobre Transmissões Onerosas de Imóveis*) applies - namely:

- **Who Pays:** The buyer is responsible for paying the IMT.
- **When to Pay:** Payment is due *before* the final property sale deed is signed. Proof of payment must be presented to the notary during the property exchange.

- **Basis of Calculation:** IMT is calculated on the higher of the actual purchase price or the property's taxable value (VPT).

- **Tax Rate:** The IMT rate depends primarily on two factors:

- The intended use of the property (e.g., primary residence vs. secondary home).
- Whether the purchase is for a first or subsequent home.
 - Rates range from 0% to 6.5% (previously, the maximum rate was 8%).

- **Exemption for Property Companies:**

Companies whose primary business is buying and selling property are exempt from IMT if they can demonstrate they have sold other properties within the previous two years.

- **Annual Municipal Property Tax (IMI):** Two annual municipal property taxes may apply - namely, IMI (*Imposto Municipal sobre Imóveis*) and AIMI (*Adicional ao IMI*):

- **IMI (Annual Municipal Property Tax)**

- **Who Pays:** The property owner as of December 31st of the previous year.

- **Basis of Calculation:** Based on the property's taxable value (VPT).

- **Tax Rate:** Ranges from 0.3% to 0.8% of the VPT. The specific rate depends on whether the property is classified as urban or rural by the Portuguese tax authorities. This classification is based on the property's location.

- **Special Case:** Owners (individuals or companies) located in a tax jurisdiction blacklisted by the Portuguese tax authority are subject to a flat IMI rate of 7.5%.

- **AIMI (Additional Annual Municipal Property Tax)**
 - **What it is:** An additional tax on properties with a high taxable value (VPT).

 - **Threshold:** Applies to the portion of the *cumulative* VPT exceeding €600,000 for all residential properties and construction plots owned by a single taxpayer.

 - **Important Note for Couples:** The €600,000 threshold applies *per person*. Therefore, couples with joint ownership are liable for AIMI on properties exceeding €1.2 million (double the individual threshold).

 - **How it Works:** AIMI is calculated based on the *total* VPT of *all* properties owned by an individual, not just a single property. If the combined VPT exceeds €600,000, the excess amount is subject to AIMI.

- **Tax Rate:** Varies between 0.4% and 1.5%, depending on whether the owner is taxed as a single individual, a couple, or a company.

- **Exemption:** Properties used to promote specific activities, such as providing local, affordable accommodation, are exempt from AIMI.

Individuals:

Capital gains tax applies to profits made from selling property in Portugal, unless the property was purchased before 1989. The tax implications differ depending on whether you are a resident or non-resident, the property's usage, and how the sale proceeds are used.

- **Calculating Capital Gains:** Capital gains are calculated as the difference between the selling price and the acquisition value. The acquisition value can be adjusted for inflation, documented acquisition costs, and any capital improvements made within the 12 years preceding the sale.
 - **Tax Residents**
 - 50% of the capital gain is taxable.

 - Inflation relief may apply if the property was held for two or more years.

 - The taxable gain is added to your other annual income and taxed at marginal rates ranging from 14.5% to 48%.

 - **Primary Residence Exemption:** Gains from the sale of your primary residence are

exempt if the entire proceeds (net of any mortgage) are reinvested in another primary residence in Portugal or the EU/EEA. This reinvestment must occur either before the sale (within a 24-month window) or within 36 months after the sale. You must also live in the new property within 6 months of purchase.

- **Non-tax residents**

- Since January 1, 2023, 50% of the capital gain is taxable.
- The applicable tax rate depends on the non-resident's worldwide income and is subject to progressive rates, up to a maximum of 48%.

Corporates:

The capital gains tax rate for non-resident companies is either 14.7% or 20%, depending on the property's location. For more details on specific corporate tax rates, please refer [here](#).

Although inheritance tax is not applicable in Portugal, stamp duty does apply upon inheritance alongside other taxes (already mentioned above).

For the purposes of stamp duty, inheritance or gifts may fall into one of two categories – those which are exempt, and those taxed at a flat rate of 10%. Inheritances by close relatives, such as parents, children and spouses, are exempt from stamp duty. All other inheritances and gifts are taxed at a flat stamp duty rate of 10%.

Stamp duty is payable for the respective property, even if the recipient does not live in Portugal.

For further information on inheritance or gifts, see [here](#).

Portugal offers a tax credit on property sales for non-resident individuals. If a Double Taxation Agreement (DTA) exists between Portugal and the individual's country of tax residence, this credit can significantly reduce or eliminate double taxation. Essentially, the DTA ensures that any tax paid in Portugal is credited against any tax due in the individual's home country, preventing them from being taxed twice on the same income. Only the difference, if any, between the two tax amounts is payable to the jurisdiction with the higher tax rate.

Read [here](#) for more information.

While Portuguese tax implications are important, they are not the only factor to consider. It is crucial to examine the specifics of the relevant DTA and understand the local tax laws and regulations in the individual's country of tax residence. Furthermore, depending on how the property is used (e.g., for rental income), specific licenses may be required.

Example for UK Residents:

A UK resident selling a property in Portugal will likely be liable for capital gains tax in the UK. However, the DTA between the UK and Portugal typically allows for a credit against UK taxes for any capital gains tax paid in Portugal. This mechanism prevents double taxation of the sale proceeds.

A common question among investors is: what is the most tax-efficient way to hold property in Portugal? The answer depends heavily on individual circumstances, investment goals, and the intended use of the property.

- **Personal Ownership (for Portuguese tax residents):** For residents purchasing a primary residence, holding the property in their personal name can often be more advantageous, particularly regarding capital gains tax (please refer to the primary residence exemption under the Property Taxes on the Sale of a Property section above).

- **Corporate Structures:** While a corporate structure might seem appealing, it comes with increased administrative costs and compliance requirements. Establishing and maintaining substance within the company is essential. However, corporate ownership can offer benefits such as limited liability and enhanced asset protection, which can be invaluable, especially for individuals in jurisdictions with higher financial or other risks. Portugal has asset protection agreements with several countries.

Key Takeaway: There is no one-size-fits-all answer. The optimal structure depends on a careful evaluation of individual needs and circumstances.

Why is it Important to Engage with Dixcart?

It is not just the Portuguese tax considerations on properties, largely outlined above, but also the impact from where you may be tax resident and/or domiciled, that need to be considered. Although property is typically taxed at source, double taxation treaties and double tax relief need to be considered.

A typical example is the fact that UK residents will also pay tax in the UK, and this will be calculated based on UK property tax rules, which may be different to those in Portugal. They are likely to be able to offset the Portuguese tax actually paid against the UK liability to avoid double taxation, but if the UK tax is higher, further tax will be due in the UK. Dixcart will be able to assist in this regard and to help make sure you are aware of your obligations and filing requirements.

How Else May Dixcart Assist?

Dixcart Portugal have a team of experienced professionals who can assist with various aspects regarding your property - including tax and accounting support, introduction to an independent lawyer for the sale or purchase of a property, or maintenance of a company that will hold the property. Please contact us for more information:

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