

Self-Employed in Portugal: Mastering Taxes and the Simplified Regime

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

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Tax Fundamentals

- Residents: Pay [progressive income tax](#) on worldwide income (12.5% - 48% - plus a possible additional surplus tax of 2,5% (taxable income over €80,000 up to €250,000) or 5% (taxable income exceeding €250,000).
- Non-Residents: Pay a flat 25% on Portuguese-source income.
- Social Security: Contributions of 21.4% and 25,2% based on profession and chosen regime.

Enter the Simplified Regime

This attractive option caters for self-employed individuals with specific conditions:

- Annual turnover: Under €200,000 of income.
- Business activities: Listed in the regime's allowed activities list.

How it Works

- Tax Rates: Depending on the nature of the activity, the income subject to taxation is reduced by specific percentages. The income subject to taxation for the sale of goods and products is 15%, over professional services is 75%, for short term rental is 35%, among other rates. This taxable income is then taxed at 20% under the NHR, or otherwise according to the progressive tax tables. Please note that expenses related to the activity must be registered on the tax office website and validated, to benefit from the percentages detailed above.
- Basic example: Product sales of €30,000 received by an NHR Portuguese tax resident. $€30,000 @ 15\% = €4,500$ taxable income. Tax due to the Portuguese tax authorities: $€4,500 @ 20\% = €900$.
- Reduced Burden: Less administrative complexity compared to the regular regime.

Tax Filing: How and When

Tax filing in Portugal is an essential part of being self-employed. The process for those under the Simplified Regime is relatively straightforward. Annual tax returns must be submitted electronically through the *Portal das Finanças*, the official tax portal of the Portuguese Tax and Customs Authority. The deadline for filing your personal income tax return (IRS) is the 30th of June of the year following the tax year. For example, income earned during the 2025 tax year (1 January to 31 December 2025) must be reported by 30 June 2026. It's crucial to adhere to this deadline to avoid penalties. Additionally, if you are registered for VAT, you will need to file quarterly VAT returns. You will also be required to make monthly Social Security contributions, though there is a one-year exemption at the beginning of your self-employment.

Considerations

- Not for Everyone: Registering as self-employed may not be suitable for all professions or high-earning individuals – consult with a professional.
- Record Keeping: Maintain accurate income and expense records for compliance.
- Deadlines: Adhere to payment deadlines to avoid penalties.
- Social Security: Contributions remain mandatory under the simplified regime.
- Seek Advice: Consulting a tax advisor is crucial for eligibility assessment and maximizing benefits.

Beyond Taxes – Other Considerations

- NIF: Obtain your Tax Identification Number (NIF) for financial transactions and tax purposes.
- Health Insurance: Explore private health insurance options as social security coverage might not be comprehensive.
- Accounting Support: Consider professional accounting assistance for managing finances and tax compliance.

Remember

Self-employment in Portugal offers exciting opportunities, but understanding the tax system is essential. Research diligently, stay informed, and seek professional guidance to navigate the simplified regime and optimise your entrepreneurial journey. By planning effectively, you can embrace the sunshine and success with peace of mind.

Additional Information

For further information on the self-employment taxes and the simplified regime in Portugal, please do not hesitate to contact the Dixcart Portugal office:
advice.portugal@dixcart.com. Our team is ready to assist you with any questions or concerns regarding this topic.