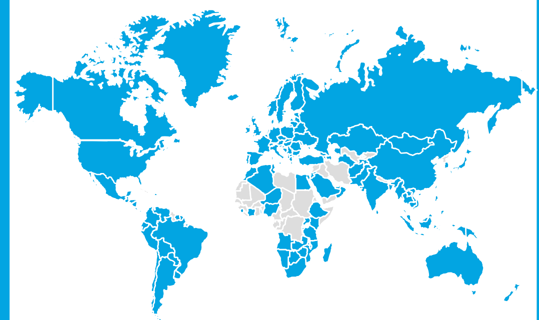
INPATRIATES Portugal

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

Domicile Tax Rules

In accordance with Article 16 of the Individual Income Tax Code (CIRS), an individual is considered as a Tax Resident of Portugal if the individual:

- Stays in Portugal more than 183 days during any 12-month period within the tax year; or
- Has available in Portugal a domicile that indicates an intention to keep and occupy as his habitual residence.

Individuals who do not meet either of these conditions should be considered as a non-resident for tax purposes.

The Portuguese rule updated in 2015 allows the partial tax residency system, which means that an individual can be considered a tax resident even if he stays in Portugal less than 183 days. This is provided that he fulfills the other residency criteria of having a domicile with an intention to keep and occupy as a habitual residence.

Therefore, the main criteria for determining residency is whether in fact the individual's main abode is in Portugal, even if he stays less than 183 days in Portugal. This provision is within the internal tax domicile rules and does not require a bilateral tax treaty to be in force.

A day of tax residency is considered as a day of presence in Portuguese territory which includes full days, overnight and partial days.

Non-Habitual Resident Tax Regime

Through this scheme, it is possible to have mitigated taxation for certain dependent and independent services income derived from activities of high added value, whether obtained in Portugal or abroad.

A fixed rate of 20% (IRS) and the application of the tax exemption method for the avoidance of international double taxation on foreign source income can be applied in the case of pension income, capital income and independent income; in addition to the income from dependent work that has been taxed abroad.

Applicable taxpayers must become a tax resident in Portugal under the domestic tax requirements and not have been taxed by IRS, or have a primary abode in Portugal, in any of the 5 (five) years prior to which the application for the framework of the NHR regime is reported

Tax Relief for Returners (Ex-Tax Residents)

A special tax regime to motivate returners was introduced in 2019.

This relief is applied in 50% of incomes subject to IRS on income from dependent work (Box A of IRS) and from self-employment / professional activities (Box B of IRS).

It will be applied for taxable persons who, becoming tax resident domiciled in Portugal in 2019 or 2020:

- Have not been considered as resident on Portuguese territory in any of the preceding three years;
- Have been tax resident in Portuguese territory before 31 December 2015;
- Have their tax situation regularized.

This tax relief is valid for 5 years, through 2024 or 2025, depending on the individual's return to Portugal.

Individuals who have applied for their local registration as a Non-Habitual Resident cannot have access to this new regime, so there no overlap of the two highly beneficial schemes.

Additionally, it is also possible to apply a reduction of taxation on professional activities during the first and second year on the simplified tax regime, 50% and 25% respectively, which is already in force in Portugal)if the taxpayer did not receive employment or pension income).

INCOME TAX RATES

Income Brackets (EUR) - 2020	Rates (Percentage)	
	Normal (A)	Medium (B)
0 – 7,091	14,5	14,5
7,091 – 10,700	23,00	17,367
10,700 – 20,261	28,50	22,621
20,261 – 25,000	35,00	24,967
25,000 – 36,856	37,00	28,838
36,856 - 80,640	45,00	37,613
Additional Tax		
80,000 – 250,000	2,5	
Over 250,000	5	

SOCIAL SECURITY CONTRIBUTIONS

Employers are generally responsibility for social contributions at a rate of is 23.75% of the value contained in the payroll. Employees are subject to 11% social contributions through withholding. Therefore, the final total contribution is 34.75% per month.

An exemption from Portugal social contributions is possible if the person is covered by a social security protection system abroad (A1 Form).

BREAKING RESIDENCY - EXIT PROCEDURES

Breaking resident status occurs as of the last day of stay in Portuguese territory.

However, a taxpayer shall be deemed a resident of Portugal for the entire year in the year or departure, if both the following below apply:

- Remains in Portuguese territory more than 183 days, followed or interpolated, that year; and
- Receives during that tax year (after the last day of stay in a Portuguese territory), any income that is subject and not exempt from tax, if the person were to remain a resident.

This shall not apply where such income is subject to income tax of another country as a result of his domicile or residence:

- In another Member State of the European Union or of the European Economic Area, provided that, in the latter case, there is an exchange of tax information and that administrative cooperation in the field of taxation is provided for; or
- In another State where the tax rate applicable to such income is not less than 60% of that would apply if the taxpayer maintained his or her residence in Portuguese territory.

A taxpayer will also be considered to be resident of Portugal during the entire year if he subsequently regains resident status in the year immediately following the year in which they ended their residency.

For further information and to register for future updates contact **expat@bdo.global**

www.bdo.global