PLMJ
ADVOGADOS, SP, RL

50 YEARS
By your side.

Tax Guide 2018

PLMJ TAX

1 - PERSONAL INCOME TAX (PIT)

1.1 - APPLICATION OF PIT AND TAX RESIDENCE

Personal income tax (PIT) – in Portuguese, Imposto Sobre o Rendimento das Pessoas Singulares or IRS – is charged on the total income earned by individuals considered resident in Portugal for tax purposes, including income earned outside Portugal.

In the case of individuals not resident in Portugal, PIT is charged solely on the income earned in Portugal, which is generally subject to the special and withholding tax rates set out in the PIT Code (see table below).

Tax residence is established on the basis of a direct connection between the period of actual residence in Portugal and the status of tax resident in this country. An individual may have partial tax residence (in other words, it is possible for a taxable person to be resident for tax purposes in Portugal and in another State in the same calendar year).

Among other situations set out in in the PIT Code, individuals are considered to be resident in Portugal if, in the year to which the income relates:

- They have stayed in Portugal for more than 183 days, continuously or not, in any 12-month period beginning or ending in the year in question; or
- They have stayed in Portugal for a shorter period of time but, on any day of the 183-day period, they have a residence in the country in conditions that indicate it is their intention to use it as their habitual residence.

To establish the 183-day period, an individual is considered to be in Portugal on any whole day or part of a day that includes an overnight stay in the country. As a general rule, the loss of the status of tax resident occurs as from the last day the individual stays in Portugal.

Individuals who meet one of the above conditions become residents as from the first day of the period of their stay in Portugal, except when they have been resident in the country on any day of the previous year. In this case, they will be considered resident in Portugal from the first day of the year in which either of those conditions is met.

The loss of resident status occurs, as a rule, from the last day the individual stays in Portugal, except in certain special cases set out in the PIT Code that determine maintenance of the tax residence for the whole year.

Portuguese nationals who move their tax residence to a country, territory or region with a clearly more favourable tax system (as listed in Ministerial Order no. 292/ 2011 of 8 November and referred to in this guide as “tax havens”) are also deemed to be resident in Portugal in the year in which that change of tax residence takes place and in the four subsequent years, except if the person in question can prove that the change was justified. A change may be justified, for example, if a person is working in the location on a temporary basis for an employer domiciled in Portugal. These rules will cease to apply as soon as the taxable person becomes a tax resident in a country, territory or region that is not expressly listed in the above Ministerial Order.

Except in respect of expiry under the tax neutrality rules applicable to (i) merger, splitting and share swap operations and (ii) the contribution of assets to constitute the share capital of the company, that a PIT taxable person has benefited from, the loss of the status of resident in Portugal does not give rise to any exit tax, as happens in the case of companies.

Any conflicts of residence should be settled, when applicable, by applying the rules appearing in any Double Taxation Agreements (DTA) to which Portugal is a party.

1.2 - DETERMINATION OF THE PERSONAL INCOME TAX

INTRODUCTION

In general terms, the PIT to be paid is based on the total taxable income for the year divided into the following categories and without prejudice to any applicable exceptions:

A – Employment income

B – Business and professional income

E – Investment income

F – Rental income

G – Capital gains

H – Pensions

The tax is calculated separately for each spouse or de facto partner (the Portuguese concept of união de facto), unless they have opted for joint taxation. If they do opt for joint taxation, tax is due on the total income earned by the people who make up the household.

To calculate the PIT due, the taxable person must aggregate the total income earned and subject to taxation in their annual tax return (income declaration) by applying the general rates for the tax. However, income subject to definitive withholding tax and/or exempt income is not aggregated, except when, in the latter case, the law imposes its aggregation for the purpose of determining the PIT rate applicable to the remaining income. The PIT Code gives taxable persons the option of aggregating income subject to definitive withholding tax. When this option is exercised, the taxable person is obliged to aggregate all income included in the same PIT category and, in this case, this income is taxed under the general (progressive) PIT rates.

Income subject to special autonomous rates is not considered aggregated, even though it must appear in the annual tax return.

Certain expenses, charges, tax benefits and international double taxation tax credits may also be deducted from the taxable amount calculated on the basis of the actual rate that applies (see the table in point 1.4 below).

The PIT due is the result of the deduction (if applicable) of the above amounts from the taxable amount. Any withholding taxes and payments on account are then deducted from the PIT due, and the value of the surcharge is added. This gives the PIT to be paid (or reimbursed) in the end.

CATEGORY A: DETERMINATION OF NET INCOME

Each taxable person may deduct the following from their employment income, up to the total income and within the legal limits: (i) EUR 4104, (ii) any compensation paid by the employee to their employer, and (iii) any trade union fees. The amount referred to in (i) above may be increased up to the amount of the mandatory contributions to social protection schemes and to legal health subsystems or up to 75% of 12 times the value of the Social Support Index (SSI), as long as the difference results from dues paid to professional associations[1].

Taxable persons with disabilities that earn a salary from employment may consider only 85% of its value for taxation purposes.

CATEGORY B: DETERMINATION OF NET INCOME

Business and professional income is determined on the basis of the simplified system or the organised accounting system, as shown in the table below[2]:

METHODS	TAXABLE INCOME
Simplified system The simplified system applies to taxable persons who, in the immediately preceding taxation period, have not exceeded a gross annual income of EUR 200,000 in this category. Under the simplified system, the determination of the taxable income by applying the gross income coefficients set out in the right-hand column is subject, in part, to verification of the expenses and costs actually incurred.	a) 15% of the value of sales of merchandise and products, and the provision of hotel and similar services, and food and beverage activities, except for those activities carried on in the context of operation of local tourist accommodation establishments (alojamento local) in the form of a house or apartment. b) 75% of the value of provisions of services on the list of activities in article 151 of the PIT Code. c) 35% of the value of provisions of services not provided for in the previous points, which covers provisions of services in the operation of local tourist accommodation establishments in the form of a house or apartment. d) 95% of the value of the income from royalties, know-how and other income (investment, real property, capital gains). e) 30% of the subsidies or grants not destined for operational purposes. f) 10% of the subsidies destined for operation and other Category B income. g) 100% of the income from provisions of services made i) by the shareholder to a company covered by the tax transparency regime; or ii) companies in which, during more than 183 days of the taxation period, i) the taxable person held, directly or indirectly, at least 5% of the company's capital or voting rights; ii) the taxable person, the spouse or de facto partner and their relatives in the ascending and descending lines held together, directly or indirectly, at least 25% of the company's capital or voting rights. The following special rules should be noted: (i) The determination of the tax base of business or professional income provided for in b) and c) above is subject to the condition of verifying the expenses and costs actually incurred. The deduction from the taxable income obtained by applying the coefficients of the simplified system may not now be lower than the positive difference between 15% of the gross income from provisions of services and the sum of the following amounts connected the activities in question: a) Specific deduction of EUR 4104 or, if higher the mandatory contributions to social protection systems connected with the activity in question.

1 EUR 4275 under the terms of the transitional provisions (in fact, the minimum monthly salary in force for 2010 (EUR 475) continues to be used on a transitional basis, until the SSI reaches this amount).

2 Disabled taxable persons that earn professional income (category B) may consider only 85% of its value for taxation purposes.

METHODS	TAXABLE INCOME
	b) Personnel expenses and costs of remunerations, wages or salaries, communicated to the Tax and Customs Authority. c) Rent or other expenses of real property used for the business or professional activity that appear in invoices and other documents, communicated to the Tax and Customs Authority. d) 1.5% of the taxable value of real property used for the business or professional activity or, in the case of real property used for hotel activities or for local tourist accommodation owned by the taxable person, or over which the taxable person has a right of usufruct or a surface right, 4% of the taxable value. e) Other costs of the acquisition of goods and provisions of services relating to the activity, that appear in invoices communicated to the Tax and Customs Authority or issued on the Tax Authority's website (Portal das Finanças), including costs of consumables, electricity, water, transport and communications, rent, litigation, insurance, financial leasing payments, subscriptions to professional associations relating to the taxable person, travel, trips and food and accommodation of the taxable person and of their employees. f) Intra-EU imports or acquisitions of goods and services relating to the activity. (ii) The expenses and costs referred to in c), d) and e) above, when only partially used for the business or professional activity, are considered only as to 25%. (iii) For the purposes of exclusive or partial use for the business or professional activity, the taxable person will to indicate on the Tax Authority's website the invoices and other documents that prove general expenses, the invoices and other documents that prove expenses and costs relating exclusively or partially to their business or professional activity (e.g., rent from real property and other costs of the acquisition of goods and services), real property used exclusively or partially for their business or professional activity (e.g., use for hotel activities or for local tourist accommodation). Any intra-EU imports and acquisitions of goods made specifically and exclusively in the context of their business or professional activity, must be indicated in the annual PIT income declaration (tax return) in the form Modelo 3.
Organised accounting Taxable persons not covered by the simplified system because they exceed the above limits or because they have opted for organised accounting.	Rules established in the CIT Code to determine taxable profit (with some adaptations).
Isolated acts Taxable persons that engage in acts subject to classification as business income on a non-regular basis.	If the total income from category B is less than EUR 200,000, the rules of the simplified system apply. If not, the organised accounting rules as described above apply.

CATEGORY E: DETERMINATION OF NET INCOME

Because of the passive nature of investment income, the law does not establish specific deductions for this category.

CATEGORY F: DETERMINATION OF NET INCOME

All costs actually incurred and paid by the taxable person to obtain or guarantee rental income may be deducted from that income, subject to the exceptions of costs of a financial nature, depreciation costs and costs of furniture, domestic appliances and articles of comfort or decoration.

In the case of a self-contained unit in a property subject to horizontal ownership (for example, an apartment in a condominium), the deductions for each unit or part of a unit are other costs which, under the terms of the law, the condominium must incur, and which are actually paid by the taxable person.

Costs incurred and paid in the 24 months prior to the beginning of the letting that relate to conservation and maintenance of the property may also be deducted, as long as, in the meantime, the property has not been used for a purpose other than the letting.

Taxable persons may opt to have their rental income taxed under Category B, in which case the rules set out above apply.

Those receiving income from the operation of local tourist accommodation establishments in the form of a house or apartment may, in each year, opt for taxation in accordance with the rules established for category F.

CATEGORY G: DETERMINATION OF NET INCOME

Increases in wealth consist of:

- Capital gains
- Compensation for any unproven financial losses and for lost profits (taxable in the year in which then income is made available)
- Compensation for non-material losses, except when established by a judicial or arbitral decision or resulting from a judicially approved settlement (taxable in the year in which the income is made available)
- Amounts given in return for the assumption of non-competition obligations (taxable in the year in which the income is made available)
- Unjustified increases in wealth, under the terms of articles 87, 88 or 89-A of the General Tax Law
- Compensation due for the renunciation for value of contractual positions or other rights inherent to contracts relating to real property

Only specific deductions are provided for in relation to capital gains. The gain or capital gain subject to tax consists of the difference between (i) the sale value and (ii) the acquisition value. In some situations, the acquisition value is updated by applying the monetary devaluation coefficients approved by law whenever more than 24 months have passed between the date of acquisition and the date of disposal or allocation, plus any charges and/or expenses, as provided for in the PIT Code.

The value of the income classified as capital gains corresponds to the balance of capital gains and capital losses[3] made in the same year. Only 50% of this balance is considered in the case of (i) a sale of real property[4], (ii) an assignment for value of a contractual position or other right inherent to real estate assets; (iii) a disposal of intellectual or industrial property rights, or know-how (when not earned by the original holder), and (iv) disposals for value of shareholdings in unquoted micro-and small companies, defined in the annex to Decree-law no. 372/2007 of 6 November.

3 Does not take into account losses made when the other party to the operation is domiciled in a tax haven.

4 Gains made on the disposal of real property destined for the taxable person's own permanent residence may be excluded from taxation if the taxable person reinvests the sale value, less the repayment of any mortgage taken out to buy the property, in buying another property in Portugal, in any other Member State of the European Union (EU), or in the European Economic (EEA). In the latter case, there must also be an exchange of information within 24 months if the reinvestment is made prior to realising the capital gain, or 36 months if the reinvestment is made after the realisation of the capital gain.

1.3 - PIT RATES

GENERAL RATES[5]

TAXABLE INCOME	PORTUGAL CONTINENTAL		MADEIRA		THE AZORES	
	RATE	DEDUCTION	RATE	DEDUCTION	RATE	DEDUCTION
UP TO EUR 7091	14.5%	-	12.41%	-	10.15%	-
+ EUR 7091 to EUR 10,700	23%	602.74	23%	750.94	17.25%	503.46
+ EUR 10,700 to EUR 20,261	28.50%	1191.24	28,5%	1339.44	21.38%	944.84
+ EUR 20,261 to EUR 25,000	35%	2508.20	35%	2656.40	28%	2287.13
+ EUR 25,000 to EUR 36,856	37%	3008.20	37%	3156.40	29.6%	2687.13
+ EUR 36,856 to EUR 80,640	45%	5956.68	45%	6104.88	36%	5045.91
+ EUR 80,640	48%	8376.88	48%	8524.08	38.4%	6981.27

ADDITIONAL SOLIDARITY RATE

In addition to the general rates, the following rates apply progressively: (i) a rate of 2.5% to the part of the taxable income above EUR 80,000 and up to EUR 250,000 and (ii) a rate of 5% to the part of the taxable income above EUR 250,000.

SPECIAL RATES AND WITHHOLDING RATES

NATURE OF THE INCOME	RESIDENTS	NON-RESIDENTS
Employment income (including board members)	variable up to 45,3% (a)	25% (b)
Employment income and business and professional income earned by non-habitual residents from carrying on a high added value activity	20%	N/A
Commissions	25% (a)	25% (b) (p)
Provision of services	11,5% / 25% (a)	25% (b) (p)
Royalties earned by the original holder	16,5% (a)	25% (b) (c) (p)
Royalties not earned by the author/ original holder or arising from technical assistance or the hiring of equipment	28% (b) (d) (e) (f) (g) (i)	28% (b) (c) (e) (f) (p)

5 The rates that apply in Madeira are identical to those that apply in continental Portugal. In the Azores, they are reduced in accordance with special legislation.

NATURE OF INCOME		RESIDENTS	NON-RESIDENTS
Dividends, deposit interest, shareholder loan interest.		28% [b] [d] [e] [f] [g] [h] [i]	28% [b] [c] [e] [f] [p]
Interest from debt securities, interest rate swaps, reserves made available to associates, and compensation for loss of investment income		28% [b] [d] [e] [f] [g] [i]	28% [b] [c] [e] [f] [j] [p]
Other investment income		28% [b] [d] [e] [f] [g] [i]	28% [b] [c] [e] [f] [p]
Income from real property (rental income)		28% [i] [l]	28% [l]
Capital Gains	from company shares	28% [i]	28% [m]
	from real property (rental income)	No withholding tax or special rate [n] [o]	28%
Pensions		Variable up to 40% [a]	25% [b]
Unjustified increases in wealth above EUR 100,000		60%	60%

(a) Withheld on account of the final tax due.

(b) Definitive withholding tax, except payments made by non-resident companies.

(c) The domestic withholding tax rate may be reduced or not applied according to the particular case, under any DTA made and in force between Portugal and the country of residence of the beneficial owner, as long as the applicable legal formalities are first complied with.

(d) Taxed autonomously at the rate of 28%, when due by non-resident companies and not subject to withholding tax because the paying entity is no required to have organised accounting.

(e) Taxed at the rate of 35% when earned by offshore companies (without a permanent establishment in Portugal).

(f) Taxed at the rate of 35%, when paid or made available in accounts open in the name of one or more holders but on account of unidentified third parties, except when the true beneficial owner is identified.

(g) Taxed at the rate of 35%, if paid or made available to residents, due from offshore companies, through intermediary companies that are instructed by debtors or holders or act on behalf of one or the other.

(h) The holder may choose to aggregate 50% when the profits are due from (i) taxable persons not exempt from CIT, or (ii) from companies resident in another Member State of the EU that meet the requirements and conditions established in article 2 of Directive no. 90/435/EEC of 23 July (now Directive no. 2011/96 EU of the Council, of 30 November).

(i) The holder may choose to aggregate.

(j) Possibility of exemption under Decree-Law 193/2005 of 7 November, which approved the Special Rules on Taxation of Income from Debt Securities.

(l) Final taxation rate with prior withholding tax at the rate of 25%.

(m) Possibility of exemption whenever: (i) the beneficial owner is not resident in a country, territory or region subject to a clearly more favourable tax system, as listed in Ministerial Order no. 150/2004 of 13 February (as amended by Ministerial Order no. 292/ 2011 of 8 November); and (ii) the capital gains do not result from the transfer of interests is companies resident in Portugal more than 50% of whose assets consist of real estate located in the country or which, in the case of holding or management companies, are in a control relationship as the controlling company as defined in article 13 of the Legal Framework of Credit Institutions and Financial Companies, with the companies it controls also being resident in Portugal and with 50% of their assets in turn consisting of real estate situated there. The DTAs may prevent Portugal from taxing capital gains when made by non-residents who may benefit from the same, as long as they first comply with the formalities established by law for the purposes of their application.

(n) Aggregation mandatory for only 50%.

(o) May be exempt in the case of reinvestment according to the conditions set out in the PIT Code.

(p) Taxed autonomously the rate of 28%, when not subject withholding tax because the paying entity is not required to have organised accounting.

1.4 - TAX DEDUCTIONS

A set of expenses, charges, tax benefits and international double taxation credits may be deducted from the taxable amount calculated on the basis of the rate that actually applies, as shown in the table below:

DEDUCTIONS FROM THE TAXABLE AMOUNT	PERCENTAGE	LIMIT
Dependants who are members of the household of the taxable person	-	EUR 600[(a)]
Relatives in the ascending line who are members of the household of the taxable person	-	EUR 525[(b)]
General family expenses	35%	EUR 250[(c)]
Health and life insurance expenses	15%	EUR 1,000[(d)]
Education and training expenses	30%	EUR 800[(d) (f)]
Property rental expenses	15%	EUR 502[(d) (e)]
Property rental expenses paid by students	30%	EUR 300[(f)]
Interest charges arising from contracts made up to 2011 to purchase real property	15%	EUR 296
Maintenance payments	20%	_ [(d)]
VAT supported by invoices (only certain services)	15%	EUR 250[(d)]
Costs of care homes	25%	EUR 403,75[(d)]
People with disabilities	_	EUR 1685.28[(g)] or EUR 1055.80[(h)]
Elimination of international double taxation	_	Tax on income paid abroad; or Fraction of the PIT taxable amount, calculated before the corresponding deduction[(i)]
Municipal Property Tax Surcharge under article 135-I of the Code of Municipal Property Tax	_	_

(a) In the case of dependents under the age of three, the amount of the deduction is EUR 725.

(b) If there is only one relative in the ascending line meeting the conditions described above, the deduction is EUR 635.

(c) Per taxable person. For single parent families, the deduction is 45% of the amount borne by any member of the household, up to a total limit of EUR 335.

(d) The total deductions may not exceed the following limits per household and in the case of joint taxation: (i) taxable income below EUR 7091: no limit; (ii) taxable income above EUR 7091 and below EUR 80,640: the limit resulting from the application of the following formula: EUR 1000 + [(EUR 2500 – EUR 1000) x [EUR 80,640-taxable income / EUR 80,000 – EUR 7035]; (iv) taxable income above EUR 80,640: the amount of EUR 1000.

(e) May increase according to the taxable person's taxable income.

(f) The overall limit of EUR 800 for education and training expenses is increased by EUR 200 when the difference relates to rent.

(g) Per taxable person with a disability.

(h) In the case of a relative in the descending or ascending line.

(i) Except in respect of non-habitual residents where the elimination of double taxation may operate by the exemption method.

The deduction of the above amounts from the taxable amount (if applicable), gives the PIT due. This amount, less any withholding taxes and payments on account, plus the value of the surcharge, gives the final PIT to be paid (or reimbursed).

1.5 - THE NON-HABITUAL RESIDENTS SCHEME

Taxable persons who meet the conditions to qualify as residents under Portuguese law, who have not been taxed as tax residents in Portugal in the five preceding years, may benefit from the non-habitual resident (NHR) scheme for a period of 10 years.

To benefit from the scheme, the taxable person must register as a tax resident in Portugal and make an application for NHR status by 31 March of the year following the one in which he or she becomes a tax resident in Portugal. The application must be accompanied by a declaration that the requirements to be considered tax resident in Portugal under Portuguese law have not been met in the five years preceding the one in which the taxable person wishes to begin taxation as a non-habitual resident. If this is the case, the taxable person must also present documentation that demonstrates they are engaged in a high added value activity.

Under the NHR rules, the income of non-habitual residents is taxed as follows:

- Income from salaried employment and business and professional income earned from high added value activities of a scientific, artistic or technical nature (Ministerial Order no. 12/2010 of 7 January, with the amendments introduced in the meantime) will be subject to autonomous taxation of 20
- Income from salaried employment, pensions, business and professional income and other types of income earned abroad may be exempt from PIT under certain conditions. However, certain exempt income will be taken into account for the purposes of applying the marginal general progressive PIT rates.

1.6 - INCOME DECLARATION (TAX RETURN)

The PIT declaration IRS (Form: Modelo 3) is filed between 1 April and 31 May. In relation to taxable persons covered by the automatic income declaration and based on any relevant information it has, the Tax and Customs Authority provides the following on its website (Tax Authority's website):

- A provisional income declaration for each form of taxation, separately and jointly, when applicable
- The corresponding provisional tax assessment, and
- The information that serves as the basis to calculate the deductions.

If they confirm that the information provided by the Tax and Customs Authority corresponds to the income of the year to which the tax relates and to other information relevant to determining the correct tax situation, taxable persons can confirm the provisional. This declaration is declaration, is considered filed by the taxable person in accordance with the applicable law.

The provisional income declaration of any taxable person not exempt from having to file a declaration is converted into a declaration filed by the taxable person in accordance with the applicable law when, at the end of the filing period, it has not been confirmed and no other income declaration has been filed. However, the taxable person can file a substitute declaration within 30 days of the assessment without any penalty.

2 - LIMITS / PER DIEMS / SOCIAL SUPPORT INDEX

The amounts below correspond to the amounts in force at 1 January 2018.

PER DIEMS	FOR TRAVEL IN PORTUGAL		FOR TRAVEL ABROAD	
Position / Year	2017	2018	2017	2018
Board members	EUR 69.19	EUR 69.19	EUR 100.24	EUR 100.24
Employees in general	EUR 50.20	EUR 50.20	EUR 89.35	EUR 89.35

COMPENSATION FOR TRAVEL IN THE EMPLOYEE'S OWN CAR		
	2017	2018
Kms driven	EUR 0.36	EUR 0.36

MEAL SUBSIDY (PER DAY)		
	2017	2018
In cash	EUR 4.77	EUR 4.77
In meal vouchers	EUR 7.63	EUR 7.63

MINIMUM MONTHLY GUARANTEED SALARY (RMMG)	
2017	2018
EUR 557	EUR 580

MONTHLY SOCIAL SUPPORT INDEX (SSI)	
2017	2018
EUR 421.32	EUR 428.90

3 - SOCIAL SECURITY

3.1 - GENERAL RULES FOR SALARIED EMPLOYEES

Under the 2017 State Budget Law and the bills and draft laws currently under discussion in the Portuguese Parliament, during the course of this year, the Government will begin the process of evaluating the current exemptions and reductions of social security contributions, in order to review them. The rates currently in force appear in the table below.

SYSTEM	CONTRIBUTION RATES	
	EMPLOYER	BENEFICIARY
General system and board members who perform management or administration duties[(a)]	23,75%	11%
Other board members[(a)]	20,3%	9,3%
Workers with disabilities	11,9%	11%
Disabled pensioners who are working	19,3%	8,9%
Old-age pensioners who are working	16,4%	7,5%

3.2 - GENERAL RULES FOR SELF-EMPLOYED WORKERS

Various bills and draft laws are currently under discussion that are intended to change the social security rules applicable to self-employed workers, and they provide for transitional rules for the change to the new rules on contributions made by these workers. Below is a summary of the rules currently in force.

(a) The basis of assessment for social security contributions by members of corporate boards corresponds to the amount of remuneration actually earned in each legal entity in which they work, with a minimum equal to EUR 428.90 (the amount of the SSI). This does not apply in cases where, at the same time as working as a member of a board, the person in question engages in another remunerated activity that requires him or her to enrol in a mandatory social protection scheme, or where the person in question is a pensioner, provided that the basis of assessment considered for the other social protection scheme or pension is equal to or above the amount indicated.

BASIS OF ASSESMENT

The basis of assessment for social security is determined by converting one twelfth of the annual income for the previous calendar year into a percentage of the SSI, and it corresponds to the band of conventional remuneration immediately below the one resulting from the conversion. The table below makes it possible to determine the basis of assessment for social security contributions, according to the type of worker in question:

WORKERS	RELEVANT INCOME	BASIS OF ASSESSMENT
Self-employed worker	70% of the total value of the provision of services in the calendar year prior to the moment of fixing the basis of assessment for social security 20% of the total value of the income associated with the production and sale of goods in the calendar year immediately prior to the moment of fixing the basis of assessment for social security	Income band immediately below the value calculated
Self-employed worker – hotel and similar activities, food and beverages	20% of the total value of the provision of services, in the calendar year prior to the moment of fixing the basis of assessment for social security	
Self-employed worker with organised accounting	Value of the taxable income – if this is lower than the value that results from the application of the above rules	Minimum limit: 2nd Band 1.5 X SSI

INCOME BANDS

After determining the percentage of the SSI corresponding to the twelfth of the relevant income of the worker, the basis of assessment for contributions of the income will correspond to the band immediately below, according to this table:

BANDS		
1	EUR 428.90	1 X SSI
2	EUR 643.35	1.5 X SSI
3	EUR 857.80	2 X SSI
4	EUR 1072.25	2.5 X SSI
5	EUR 1286.70	3 X SSI
6	EUR 1715.60	4 X SSI
7	EUR 2144.50	5 X SSI
8	EUR 2573.40	6 X SSI
9	EUR 3431.20	8 X SSI
10	EUR 4289.00	10 X SSI
11	EUR 5146.80	12 X SSI

RATES

The following social security contribution rates will apply on the basis of assessment calculated:

SELF-EMPLOYED WORKERS	RATES
Self-employed workers in general[(a)]	29.6%
Agricultural producers with income earned only from agricultural activity and respective spouses who actually carry on professional activity with them that is regular and permanent in character	28.3%
Sole traders and sole traders with limited liability (estabelecimento individual de responsabilidade limitada) who exclusively carry on industrial or commercial activity and their respective spouses who actually carry on professional activity with them that is regular and permanent in character	34.75%

HIRING ENTITIES

Legal entities and individuals engaging in business activities – regardless of their nature and the purposes they pursue – that, in the same calendar year, benefit from 80% percent of the total value activity of the self-employed worker, are covered by the rules on self-employed workers in the capacity of hiring entities.

The obligation on hiring entities to pay social security contributions arises at the moment the social security institution officially establishes the amount of the services that were provided to that entity, and the obligation is discharged by payment of the contributions in question.

The contribution base to determine the amount of contributions to be paid by the hiring entity is the total value of the services that were provided to it by the self-employed worker in the calendar year to which they relate. Hiring entities are responsible for paying a contribution rate of 5%.

4 - CORPORATE INCOME TAX (CIT)

4.1 - INTRODUCTION

Companies with their seat or centre of effective management in Portugal are subject to CIT on all of their income earned in any part of the world. The tax is calculated on the basis of the company's accounting result, and this may be corrected in accordance with the rules set out in the CIT Code. This rule does not apply to legal entities that do not carry on a commercial, industrial or agricultural activity as their main business.

In turn, non-resident companies without a permanent establishment in Portugal are subject to taxation only on income from a Portuguese source. In addition, any income imputable to a permanent establishment located in Portugal of a non-resident entity will also be taxed

(a) In the case of re-starting activity, the basis of assessment for social security now corresponds to (i) 50% of the value of the SSI if there is no declared income that makes it possible to establish the basis of assessment for social security, or (ii) to the band determined by application of the general rules applicable to self-employed workers or (iii) to the band obtained in the previous October if the termination and (subsequent) re-start occur in the 12-month period between the point at which the basis of assessment is fixed.

Payments made to non-resident companies or individuals are, in general, subject to withholding taxes at the rates established in internal Portuguese internal legislation. However, this is not the case when an exemption or reduction in the rates applies under the terms of a Double Taxation Agreement (DTA) made between Portugal and the country of residence of the beneficiary of the income, and the legal requirements for the DTA to apply have been met.

As a general rule, the taxation period coincides with the calendar year, but it may be changed provided it coincides with the corporate period for provision of accounts. It Must be maintained for at least the five immediately following taxation periods, except if the taxable person becomes part of a group of companies that is required to prepare consolidated financial statements and in which the parent company has a different taxation period to the one adopted by the taxable person in question.

4.2 - CALCULATION OF TAXABLE PROFIT

The taxable profit (or tax loss) of companies or other entities that carry on a commercial industrial or agricultural activity as their main activity, is made up of the algebraic sum of the net result of the period and increases and decreases in equity that occur in the same period and are not reflected in that result. The amounts in question are determined on the basis of accounting and may be corrected under the applicable CIT Code rules.

Once the taxable profit (or loss) has been calculated, any applicable tax benefits and any tax losses carried forward from previous years will be deducted to give the taxable amount. The CIT due is calculated by applying the CIT rate to the taxable amount. This includes the State Surcharge if applicable. After this, any double international taxation benefits, other tax benefits applicable and the special payment on account will be deducted from the amount of tax due. Lastly, any withholding taxes and payments on account will be deducted to give the final amount of CIT to be paid (or recovered).

Additionally, if certain requirements are met, in its annual income tax declaration, the taxable person must calculate (and pay) the State Surcharge and any autonomous taxes.

4.3 - TAX-DEDUCTIBLE EXPENSES

With the exception of the cases expressly excluded in the CIT Code, all expenses relating to the activity of the taxable person to obtain or maintain income subject to CIT are tax-deductible

4.4 - LIMITS ON THE DEDUCTIBILITY OF FINANCING EXPENSES

■ GENERAL LIMITS

Financing expenses, net of income of an identical nature, are deductible only up to the higher of the following limits: EUR 1,000,000 or 30% of the EBITDA. For the purpose of the above limits, the CIT Code sets out its own concept for EBITDA. This uses the accounting concept of EBITDA as its starting point, and is adjusted as follows:

- Gains and losses resulting from changes in fair value which are not taken into account in determining the taxable profit
- Impairments and reversions of non-depreciable or non-amortisable investments

- Gains and losses resulting from the application of the equity method or, in the case of joint undertakings that are CIT taxable persons, the proportional consolidation method
- Income or gains in respect of capital losses to which the rules on the elimination of double taxation on distributed profits or reserves and the participation exemption rules apply
- Income or expenses attributable to a permanent establishment located outside Portugal in respect of which the non-taxation option is exercised
- The extraordinary contribution imposed on the energy sector
- The extraordinary contribution imposed on the pharmaceutical industry.

Net financing expenses that exceed the above limits may be carried forward for the purposes of deduction in the five following taxation periods.

If the financing net expenses are below 30% of the EBITDA, the difference is added to the maximum deductible amount in each one of the five following taxation periods, until used in full.

Whenever the Special Company Group Tax Framework (Regime Especial de Tributação of the Grupos de Sociedades – RETGS) applies, as long as certain conditions are met, it is possible to choose, for the purposes of determining the taxable profit of group, to calculate the above limits taking into account the net financing expenses of the group (for a minimum period of three years, automatically extendable for periods of one year, except in the case of renunciation).

The limits on deductibility of net financing expenses do not apply to companies subject to the supervision of the Bank of Portugal and of the Portuguese Insurance Institute, to branches in Portugal of credit institutions and other financial institutions or insurance companies, or to securitisation companies incorporated under Decree-Law no. 453/99 of 5 November.

SPECIAL LIMITS

Besides the limits described above, interest and other forms of remuneration from provisions and loans by shareholders to the company will not be deductible for the purposes of determining taxable profit for CIT, to the extent they exceed the rate defined by Order of the Minister of Finance, except when a higher rate can be justified under the transfer pricing rules.

The reference rate limit currently corresponds to the 12-month EURIBOR rate on the date of constitution of the debt, plus a spread of 2%. In the case of provisions and other loans by shareholders of SMEs, the reference rate limit corresponds to the 12-month EURIBOR rate on the date of constitution of the debt, plus a spread of 6%.

4.5 - PATENT BOX

If certain provisions of the CIT code are met, income from the assignment or temporary use of patents and industrial designs or models is considered as to 50% in the calculation of taxable profit of the taxable person (only applicable to assets registered on or after 1 January 2014).

For the purposes of applying the tax credit limit for elimination of international legal double taxation, only 50% of the said income should be considered when earned outside Portugal.

4.6 - CAPITAL GAINS AND CAPITAL LOSSES

GENERAL RULES

As a rule, capital gains and losses realised are taken into account in forming the taxable profit, i.e., the gains realised and the losses suffered upon a transfer for value, arising from write-offs or permanent allocation to purposes outside the activity carried on, relating to fixed tangible assets, intangible assets, non-consumable biological assets and investment properties (even if reclassified as a non-current assets held for sale), as well as financial instruments (except when these are recognised at fair value through profit and loss and the changes in fair value have been taken into account in forming the taxable profit).

Also subject to taxation in Portugal will be the gains realised by entities that do not have their seat or centre of effective management, or a permanent establishment, in Portugal with the transfer for value of shares in capital or of similar rights in any non-resident entities when, at any time during the preceding 365 days, the value of these capital shares or rights results, directly or indirectly, in holding more than 50% of real property assets or rights over real property assets located in Portugal (for this purpose, the real property assets used for agricultural, industrial or commercial activity that does not consist in the sale and purchase of real property are not considered for this purpose).

As a rule, the capital gains and capital losses correspond to the difference between realisation value, net of any inherent charges, and the acquisition value (updated, in certain cases, by applying the devaluation coefficients), less any depreciation and amortisation acceptable for tax purposes, any impairment losses and any other corrections and value provided for in the law. The values recognised as a tax expense in relation to intangible assets, investment properties and non-consumable biological assets are also deducted.

Upon the transfer for value of shares in capital of the same nature that give identical rights, it is deemed that the shares in capital transferred are the ones that were acquired first (FIFO criteria).

In determining the acquisition cost of shares in capital of the same nature that give identical rights, the taxable person may opt for the application of the weighted average cost. In this case, it is necessary to apply this costing method to all the shareholdings that make up the portfolio in question, which must be maintained for a minimum period of three years, with no other monetary adjustment being allowed.

In any event, to calculate the taxable profit, no account is taken of capital losses and other losses relating to equity instruments, on the part of the value that corresponds to distributed profits or reserves, or to capital gains made with the transfer for consideration of shareholdings of the same company that has benefited, in that taxation period and in the following four periods, from the participation exemption regime or the credit for international economic double taxation.

REINVESTMENT OF THE EXIT VALUE

The positive difference between capital gains and capital losses realised through the transfer for consideration of fixed tangible assets, intangible assets and non-consumable biological assets, held for a period of not less than one year, is considered as to half its value when the exit value is reinvested in the acquisition, production or construction of fixed tangible assets, intangible assets or non-consumable biological assets. This rule applies in the taxation period prior to the disposal, in the same taxation period, or up to the end of the second following taxation period.

Assets acquired while in use from a PIT/CIT taxable person with which there are special relationships (defined for the purpose of the transfer pricing rules) or assets held for a period of less than one year from the end of the taxation period in which the reinvestment or, if later, the disposal occurs, are not considered to be assets subject to reinvestment.

Furthermore, the reinvestment rules do not apply to capital gains and capital losses realised by merged, split or transferring companies in the context of merger, splitting or asset transfer operations. Neither do these rules apply to capital gains and capital losses realised in the permanent reassignment of assets to purposes outside the activity carried on by the taxable person or to those realised by companies in liquidation.

Investment properties also fall outside the scope of the above regime, even if they are recognised in the accounting as fixed tangible assets.

If only part of the exit value is reinvested, these rules apply to the proportional part of the difference between the capital gains and capital losses that are eligible.

If the exit value destined for reinvestment is not reinvested in full, the difference not included in the taxable profit will be considered as income in the second taxation period following the one in which it was made, and it will be increased by 15%.

■ PARTICIPATION EXEMPTION REGIME ON THE TRANSFER OF SHARE IN CAPITAL

Under the participation exemption regime, capital gains and losses realised by CIT taxable persons with their registered office or effective centre of management in Portugal that relate to shareholdings are not taken into account in determining the taxable profit, as long as all of the following conditions are met:

- The taxable person holds not less than 10% of the share capital or voting rights of the company whose transfer for consideration of capital gives rise to a capital gain or loss, as long as the shares or voting rights are held for a minimum period of one year, uninterruptedly
- The taxable person is not covered by the tax transparency rules
- The company whose share capital is subject to the transfer for consideration is not resident or domiciled in a country, territory or region appearing on the list of tax havens
- The company whose share capital is subject to the transfer for consideration is subject to and not exempt from CIT, a corresponding European Union tax or similar tax, at a minimum legal rate of at least 60% of the CIT rate

This regime also applies to the:

- Capital gains and capital losses made on the transfer of other own capital instruments associated with the shares in capital referred to above, including supplementary provisions of capital
- Capital gains and capital losses resulting from the transfer for value of shares in capital and other capital instruments in the context of mergers, demergers, transfer of assets, or exchange of shares in capital not covered by the special tax neutrality rules set out in the CIT Code.

Capital gains and capital losses made on the transfer for consideration of shareholdings do not benefit from the rules on exclusion from taxation when the value of the real property or real rights over real property located in Portugal (except property allocated to an agricultural, industrial or commercial activity, other than the sale and purchase of real property) represents, directly or indirectly, more than 50% of the assets of these companies (only applicable to property acquired after the last CIT reform).

Finally, the participation exemption regime also applies to capital gains and capital losses that are imputable to a permanent establishment located in Portugal of the following companies:

- Companies resident in a Member State of the European Union that meet the requirements and conditions established in article 2 of Directive no. 2011/96/EU of the Council of 30 November[6]
- Companies resident in a Member State of the European Economic Area (EEA) subject to obligations of administrative cooperation in the area of taxation equivalent to that established in the EU, as long as the company in question meets the requirements and conditions established in article 2 of Directive no. 2011/96/EU of the Council of 30 November
- Companies resident in a State that does not appear on the list of tax havens and with which Portugal has entered into a DTA that provides for exchange of information, and which, in this State, is subject to and not exempt from a tax of an identical or similar nature to CIT.

4.7 - DISPOSAL OF REAL PROPERTY

For the purpose of determining the CIT taxable profit, the transferors and the transferees of real rights over real property must adopt normal market values, which may not be lower than the official taxation value that serves as the basis for assessment of property transfer tax (Imposto sobre as Transmissões Onerosas de Imóveis – IMT), or that would serve as the basis for the assessment of this tax if there is no occasion for assessment

Whenever the value of the contract is lower than the taxation value of the property, the latter value will be considered by the transferor and the transferee for the purpose of determining the CIT taxable profit.

Without prejudice to the above, whenever the real price of the transaction is lower than the reference taxation value, the taxpayer may challenge the reference value resulting from the rules set out above at the Tax and Customs Authority (Autoridade Tributária e Aduaneira - AT). The taxpayer makes a specific application to the AT for this purpose and the AT may have access to the banking information of the applicant and of the respective directors or managers (if applicable), for the financial year in which the transfer occurred and to the preceding year. The applicant must file the corresponding authorisation documents with the application.

4.8 - PROFITS RECEIVED (PARTICIPATION EXEMPTION)

The income relating to the distributed profits and reserves included in the taxable base of companies resident in Portugal are deducted in full in determining the CIT taxable profit, whenever all the following conditions are met:

- The taxable person holds, directly or indirectly, not less than 10% of the share capital or voting rights of the company that distributes the profits or reserves
- That shareholding is held for a minimum period of 12 months, uninterruptedly, or, if held for a shorter period, is maintained for the time necessary to complete that period
- The taxable person is not covered by the tax transparency rules

6 In other words, which (i) takes one of the forms listed in Annex I, Part A of the Directive, (ii) according to the tax laws of a Member State is considered to be resident in that Member State for tax purposes and, under the terms of a double taxation agreement concluded with a third State, is not considered to be resident for tax purposes outside the Union, and (iii) moreover, is subject to one of the taxes listed in Annex I, Part B, without the possibility of an option or of being exempt, or to any other tax which may be substituted for any of those taxes.

- The company that distributes the profits or reserves does not have its residence or domicile in a tax haven

- The company that distributes the profits or reserves is subject to and not exempt from (i) CIT, (ii) the special gaming tax, (iii) the tax referred to in article 2 of Directive no. 2011/96 EU of the Council of 30 November, (iv) or a tax of an identical or similar nature to CIT whose applicable legal rate is not below 60% of the CIT rate.

If this last requirement is not met, the taxable person must meet all of the following conditions: (i) at least 75% of the profits or income comes from carrying on an agricultural or industrial activity in the territory where the company is established, or from a commercial activity or provision of services which is not predominantly aimed at the Portuguese market; (ii) the principal activity of the subsidiary in not banking and insurance activity, and the income does not result from interest on deposits, among others, income that results from holding shares in companies below 5%, or any other shares held in companies located in tax havens, leading of goods, except real property located in Portuguese territory.

The participation exemption rules also apply, by choice, to capital gains and capital losses imputable to a permanent establishment located in Portugal of the following companies:

- A company resident in a Member State of the European Union that meets the requirements and conditions established in article 2 of Directive no. 2011/96/EU of the Council of 30 November

- A company resident in a Member State of the European Economic Area (EEA) subject to obligations of administrative cooperation in the area of taxation equivalent to that established in the EU, as long as the company in question meets the requirements and conditions established in article 2 of Directive no. 2011/96/EU of the Council of 30 November

- A company resident in a State, that does not appear on the list of tax havens, and with which Portugal has entered into a DTA that provides for exchange of information, and which, in this State, is subject to and not exempt from a tax of an identical or similar nature to CIT

In contrast, the participation exemption regime does not apply when:

- The company that distributes the profits or reserves may treat them as deductible expenses

- The profits or reserves (i) are distributed by companies not subject to or exempt from CIT or a similar or equivalent tax, or (ii) come from income not subject to or exempt from CIT or a similar or equivalent tax generated at the level of lower-tier subsidiary companies of the paying company, except when, in one case or the other, the company that distributes the profits or reserves is a company resident in a Member State of the EU or in a Member State of the EEA that is bound to administrative cooperation in the area of taxation equivalent to that established in the EU

- There is a construction or series of constructions which – having been made with the main purpose or one of the main purposes of obtaining a tax advantage that frustrates the objective and purpose of eliminating double taxation on the profits and reserves in question – are not considered genuine taking into account all the relevant facts and circumstances.

4.9 - CARRY FORWARD AND TRANSFERABILITY OF TAX LOSSES

TAXATION PERIOD	DEADLINE FOR USE OF TAX LOSSES
2009	2015 (6 taxation periods)
2010	2014 (4 taxation periods)
2011	2015 (4 taxation periods)
2012	2017 (5 taxation periods)
2013	2018 (5 taxation periods)
2014	2026 (12 taxation periods)
2015	2027 (12 taxation periods)
2016	2028 (12 taxation periods)
2017	2022 (5 taxation periods) or 2029 (12 taxation periods)[7]
2018	2023 (5 taxation periods) or 2030 (12 taxation periods)[7]

The use of any tax losses subject to carry forward in any financial year cannot exceed 70% of the taxable profit assessed.

If the CIT taxable person benefits from a partial exemption and/or a reduction in this tax, the tax losses suffered in these activities may not be deducted, in each financial year, from the taxable profits generated by other activities.

The limits referred to above, whether in respect of the carry forward period or the amount of the deduction, also apply under the RETGS, both in relation to tax losses in taxation periods prior to the start of application of these rules and to tax losses made by the group.

The right to use tax losses carried forward is compromised when, on the end date of the taxation period in which the deduction is made, in relation to the period to which the losses relate, there has been a change in ownership of the share capital or voting rights that exceeds 50%, except, among others, in the following situations:

- Changes in ownership from direct to indirect and vice versa, or transfer of that ownership between companies in which the majority of the share capital or voting rights is held directly or indirectly by the same company
- When the change results from restructuring operations of the groups carried out within the scope of application of the special tax neutrality rules
- Changes resulting from inheritance upon death.

From 2017, it is no longer to deduct first the tax losses made first.

7 Only for taxable persons that directly or principally carry on and agricultural, commercial or industrial economic activity, which are also part of the system for online legal certification of SMEs.

4.10 - TRANSFER PRICING RULES

In commercial and financial operations between entities that have special relationships with each other, terms or conditions substantially identical to those that would normally be agreed, accepted and used between independent entities must also be used.

Taxable persons which, in the previous taxation period, reached an annual level of net sales and other income of at least EUR 3,000,000, are obliged to prepare and maintain a "transfer pricing dossier", which must contain all the information and documentation showing that the policy adopted to determine transfer prices in the operations in question reflected market conditions.

The transfer pricing documentation to be prepared by the taxable person must only be handed over to the Tax and Customs Authority upon notification from the latter for this purpose. However, a set of data on the related-party transaction carried out and the transfer prices, must be declared in the annexes that go with the Simplified Business information (Informação Empresarial Simplificada) / Annual Return.

It is possible to ask the Tax Authority to enter into prior agreements on transfer pricing, which may be unilateral, bilateral or multilateral, with the objective of defining the terms and conditions to be used in commercial and financial operations carried out with related companies.

4.11 - PAYMENTS TO NON-RESIDENT COMPANIES SUBJECT TO A PREFERENTIAL TAX REGIME

As a rule, amounts paid or due, on any basis, to individuals or companies domiciled in tax havens (according to the list approved by Order in Council of the member of the Government responsible for the area of finances)*, or whose payment is made in accounts opened at financial institutions resident domiciled there, do not form part of the taxable profits and are subject to autonomous taxation. This rule does not apply if the taxable person proves that the expenses corresponding to operations actually carried out are not abnormal in character or for an exaggerated amount.

4.12 - ALLOCATION OF PROFITS AND INCOME FROM ENTITIES RESIDENT IN JURISDICTIONS SUBJECT TO A PREFERENTIAL TAX REGIME

The profits or income earned by companies not resident in Portuguese territory and subject to a clearly more favourable tax regime are attributed to the shareholders resident in Portuguese territory that hold, directly or indirectly, at least 25% of the share capital, the voting rights or the rights over the income or assets of these entities. The percentage is 10% when the non-resident company is held, directly or indirectly, as to more than 50% by shareholders resident in Portugal.

These rules apply to cases of indirect holdings through a representative, trustee or intermediary.

The tax charged on the income under the tax rules applicable in the State of residence of the company that earned it is deducted from the income subject to attribution.

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* American Samoa, Andorra, Anguilha, Antigua and Barbuda, Aruba, Ascension Island, Bahamas, Bahrain, Barbados, Belize, Bermuda, Bolivia, British Virgin Islands, Brunei, Cayman Islands, Channel Islands, Christmas Island, Cocos (Keeling), Cook Islands, Costa Rica, Djibouti, Dominica, Falkland Islands or Malvinas, Fiji Islands, French Polynesia, Gambia, Gibraltar, Grenada, Guam, Guyana, Honduras, Hong Kong, Isle of Man, Jamaica, Jordan, Kingdom of Tonga, Kiribati, Kuwait, Labuan, Lebanon, Liberia, Liechtenstein, Maldive Islands, Marshall Islands, Mauritius, Monaco, Monserrat, Nauru, Netherlands Antilles, Northern Mariana Islands, Niue Island, Norfolk Island, Pacific Islands, Palau Islands, Panama, Pitcairn Island, Porto Rico, Qatar, Queshm Island, Saint Helena, Saint Kitts and Nevis, Saint Lucia, Saint Pierre and Miquelon, Samoa, San Marin, Seychelles, Solomon Islands, St Vicente and the Grenadines, Sultanate of Oman, Svalbard, Swaziland, Tokelau, Trinidad and Tobago, Tristan da cunha, Turks and Caicos Islands, Tuvalu, United Arab Emirates, United States Virgin Islands, Vanuatu, Yemen Arab Republic, Uruguay.

These rules do not apply when a specific set of conditions all met. For example, in the case of profits or income coming, as to at least 75%, from engaging in commercial activity or providing services not addressed predominantly to the Portuguese market. The rules also do not apply in relation to companies resident in another Member State of the EU or in a Member State of the EEA that is bound to administrative cooperation in the area of taxation equivalent to that established in the EU, as long as the taxable person shows that the incorporation and operation of the company held is based on valid economic reasons and that it carries on an agricultural, commercial or industrial or provision or services activity for income.[8]

4.13 - SPECIAL SCHEME FOR TAXATION OF GROUPS OF COMPANIES (RETGS)

If there is a group of companies, the controlling company may opt for the application of the RETGS rules. If this happens, the taxable profit of the group is calculated on the algebraic sum of the taxable profits and of the tax losses calculated in the individual corporate income tax returns.

For this purpose, there is a group of companies when a controlling company holds, directly or indirectly8, even if through the intermediary of companies resident in another EU or EEA Member State (provided, in the latter case, that the State is bound by administrative cooperation in the area of taxation), at least 75% of the capital of the other controlled company or companies, and that that holding gives it at least 50% of the voting rights.

Companies may opt to use the RETGS when they meet all of the following conditions:

- The companies of the group are resident in Portugal and are subject to the general CIT, at the highest normal rate
- The controlling company has held the stake in the controlled company for more than 1 year (or since its incorporation, if it has not been incorporated for one year). To count this period, in cases in which the stake has been acquired in the context of a merger, division or transfer of assets, the period that stake has been held by the merged, divided or transferring company is considered
- The controlling company is not controlled by another company resident in Portugal that meets the requirements to be classified as controlling
- The controlling company has not renounced the application of the scheme in the 3 previous years, with reference to the date on which the application of this scheme begins.

The RETGS is not open to any company that, at the beginning or during the application of the scheme, is in any of the following situations:

- Has been inactive for more than 1 year or dissolved
- Special corporate recovery or insolvency proceedings have against been brought against the company in which an order has been made to proceed with the action
- Have registered tax losses in the 3 previous tax years prior to the beginning of the application of the scheme (except, in the case of controlled companies, if held by the controlling company for more than 2 years)

8 When the stake or voting rights are held indirectly, the actual percentage of the stake or voting rights obtained by the process of successive multiplication of the percentages of shareholdings or voting rights of each at one of the levels. Furthermore, when there are shareholdings or voting rights in a company held directly and indirectly, the actual percentage of the shareholding or voting rights results from the sum of the percentages of shareholdings or of voting rights.

- Are subject to a CIT rate lower that the highest normal rate and do not renounce its application[9]
- Adopt a taxation period different to that of the controlling company
- Do not take the form of a quota company, a share company, a partnership limited by shares or a corporate public enterprise that meet the requirements relating to the capacity of controlling company set out by law.

The controlling company may also opt for application of the RETGS when, even if it does not have its registered office or effective centre of management in Portugal, it meets all of the following conditions:

- It is resident in a Member State of the EU or of the EEA that is bound to administrative cooperation in the area of taxation equivalent to that established in the EU
- It has held the stake in the controlled companies for more than one year, with reference to the date on which the application of the RETGS began
- It is not held, directly or indirectly, at least as to 75% of the capital, by a company resident in Portugal that meets the requirements to qualify as controlling, as long as that stake does not give it more than 50% of the voting rights
- It has not renounced the application of the RETGS in the three preceding years, with reference to the date on which the application of the RETGS began
- It is subject to and not exempt from a tax referred to in article 2 of Directive no. 2011/96/EU, of the Council of 30 November, or a tax of an identical or similar nature to CIT
- It takes the form of a limited liability company
- When it has a permanent establishment in Portugal through which it holds the stakes in the controlled companies and none of the situations referred to above apply, mutatis mutandis, that prevent a company from being in the RETGS.

Besides opting for the application of the RETGS, any changes or the renunciation or termination of the scheme must be communicated to the Tax Authority.

When it comes to tax losses, those arising before the application of the RETGS may only be deducted up to the limit of the taxable profit of the company that generated them. Losses arising during the application of the RETGS may only be used while this scheme applies. They are not deductible after the termination of the RETGS or the exit of the company that generated them. The deduction of tax losses to be applied in in each tax year cannot exceed 70% of the respective taxable profit.

Furthermore, when a company leaves the group, but the RETGS continues to apply, the right to deduct the tax losses relating to that company is extinguished.

Finally, the Municipal Surcharge and the State Surcharge are due on the individual taxable profit of each company and not the total taxable profit of the group.

9 If the taxable person renounces this rate, the renunciation must be maintained for a minimum period of 3 years.

4.14 - SIMPLIFIED CIT SCHEME: SMES

Taxable persons resident in Portugal may opt for the application of the simplified rules to determine the tax base, provided they are not exempt and not subject to special taxation rules, and that they carry on a commercial, industrial or agricultural activity as their main activity. In order to opt for the application of the simplified rules, they must also meet all of the following conditions:[10]

- They have earned an annual income of no greater than EUR 200,000 in the immediately preceding taxation period
- The total balance sheet for the immediately preceding tax period does not exceed EUR 500,000
- They are not required by law to have their accounts verified
- More than 20%[11] of their share capital is not held directly or indirectly by companies that do not satisfy any of the conditions set out in the preceding points, except when they are venture capital companies or venture capital investors
- They adopt the accounting standards for micro-companies approved by Decree-Law 36-A/2011, of 9 March
- They have not renounced the application of these CIT rules in the previous three years, with reference to the date on which the application of the rules begins.

The tax base of taxable persons covered by the simplified rules is calculated by applying the following coefficients:

COEFFICIENT	NATURE OF THE TAXABLE INCOME
0.04	Income from sales of goods and products Income from services rendered in hotel and similar activities, or food and beverage activities, except for services provided in the operation of local tourist accommodation establishments in the form of a house or apartment
0.75	Income from the professional activities listed in the table referred to in Article 151 of the PIT Code
0.10	Income from provisions of services and operating subsidies.
0.95	Income from contracts for the assignment or temporary use of intellectual or industrial property or for the provision of information about experience acquired in the industrial, commercial or scientific sectors Investment income Positive result of rental income Positive result of capital gains and capital losses and other increases in equity
1.00	Acquisition value of increases in equity obtained free of charge
0.35	Income from the operation of local tourist accommodation establishments in the form of a house or apartment

10 At the start of activity period, the company will come under the simplified rules for determining the taxable income, once the other requirements have been met, on the basis of the annual value of its estimated income as stated in the declaration of start of activity.

11 When the shareholding or the voting rights are held indirectly, the actual percentage of the shareholding or voting rights is obtained by the process of successive multiplication of the percentages of the shareholding and of the voting rights on each of the levels and, where there are shareholdings or voting rights in the company are held directly and indirectly, the actual percentage of the shareholding or voting rights results from the sum of the percentages of the shareholdings for voting rights.

Taxable persons that opt for the simplified scheme are exempt from the special payment on account and from certain charges not subject to autonomous taxation. These charges include those relating to entertainment expenses, per diems and allowances for travelling in the employee's own car. They also include charges relating to indemnities, compensation, bonuses and other variable payments made to certain members of corporate bodies.

4.15 - CIT RATES

■ GENERAL RATES

COMPANIES	RATES (%)					
	CONTINENT		MADEIRA		THE AZORES	
Resident companies and permanent establishments of non-resident companies	21%		21%		16,8%	
Small and medium/sized resident companies and permanent establishments of non-resident companies	Taxable income ≤ EUR 15,000	Taxable income > EUR 15,000	Taxable income ≤ EUR 15,000	Taxable income > EUR 15,000	Taxable income ≤ EUR 15,000	Taxable income > EUR 15,000
	17%	21%	17%	21%	13,6%	16,8%
Companies that do not carry on a commercial, industrial or agricultural activity as their main activity	21%		21%		16,8%	

When applicable, in the case of resident companies and non-resident companies with a permanent establishment in Portugal, a Municipal Surcharge and a State Surcharge may be added to the normal CIT rate.

■ STATE SURCHARGE

The State Surcharge is calculated on the basis of the following limits and rates:

TAXABLE PROFIT	RATES (%)
From above EUR 1,500,000 up to EUR 7,500,000	3
From above EUR 7 500,000 up to EUR 35,000,000	5
Above EUR 35,000,000	9

Whenever the taxable profit is above EUR 7,500,000, the rates (3%, 5% and/or 7%) are applied in bands and the value of EUR 6,000,000 (EUR 7,500,000 - EUR1,500,000) is additionally taxed at the rate of 3%, and the value of EUR 27,500,000 (EUR 35,000,000 - EUR 7,500,000) at the rate of 5%. The taxable profit above EUR 35,000,000 is taxed at the rate of 9%.

MUNICIPAL SURCHARGE

The municipal surcharge is charged by the different municipalities up to a rate of 1.5% of the taxable profit subject to and not exempt from CIT, before deduction of tax losses.

4.16 - AUTONOMOUS TAXATION

EXPENSES SUBJECT TO AUTONOMOUS CIT TAXATION[a]	TAXAS (%)[b]
Non-documented expenses	50%
Non-documented expenses paid by fully or partially exempt taxable persons or those that do not carry on a commercial, industrial or agricultural activity as their main activity, and taxable persons that earn income resulting from carrying on an activity subject to the special gaming tax	70%
Expenses relating to per diems and allowances for travelling in the employee's own car in service of the employer and not invoiced to clients, except as to the part on which there is PIT taxation in the sphere of the beneficiary[c]	5%
Entertainment expenses[c]	10%
Costs of vehicles (excluding costs relating to electrically powered vehicles or vehicles whose use is subject to PIT) with an acquisition cost below EUR 25,000[d]	10%
Costs of vehicles (excluding costs relating to electrically powered vehicles or vehicles whose use is subject to PIT) with an acquisition cost equal to or above EUR 25,000 and below EUR 35,000[d]	27,5%
Costs of vehicles (excluding costs relating to electrically powered vehicles or vehicles whose use is subject to PIT) with an acquisition cost equal to or above EUR 35,000[d]	35%
Profits received by taxable persons that benefit from a full or partial CIT exemption, when the shareholdings to which the profits relate have not remained in their ownership uninterruptedly, during the year prior to the date the profits are made available, and are not maintained during the time necessary to complete this period[c]	23%
Amounts paid or due to entities resident outside Portugal in a jurisdiction where they are subject to a clearly more favourable tax regime, or when the payment is made in accounts opened with financial institutions resident and domiciled there, except if the taxable person can prove that the amounts correspond to operations actually carried out that are not abnormal in character or for an exaggerated amount	55%
Amounts paid or due to individuals resident outside Portugal in a jurisdiction where they are subject to a clearly more favourable tax regime, or when the payment is made in accounts opened with financial institutions resident and domiciled there, except if the taxable person can prove that the amounts correspond to operations actually carried out that are not abnormal in character or for an exaggerated amount	35%
Cost or expenses relating to indemnity or compensation for termination of employment as a director or manager[c][e]	35%
Cost or expenses relating to bonuses and other variable remuneration for directors or managers[c][f]	35%

(a) No deductions can be made from the total amount calculated as autonomous taxation, even if those deductions result from special legislation.

(b) The rates are increased by 10% when the taxable persons present tax losses in the taxation period to which the expenses and charges at issue relate. These rates do not apply to expenses or charges of a permanent establishment situated outside Portugal and relating to the activity carried on through it.

(c) Not applicable to taxable persons subject to the simplified taxation rules.

(d) The rate applies to costs borne or paid by taxable persons, who are not exempt, and in relation to light passenger or goods vehicles, moped or motorcycles. In the case of "plug-in" hybrid light passenger vehicles, the rates referred to are reduced to 5%, 10% and 17.5%, respectively. In the cases of light passenger vehicles powered by LPG or natural gas, the applicable rates are 7.5%, 15% and 27.5% respectively.

(e) Costs or charges relating to indemnities or other compensation due are taxed if they do not relate to achieving productivity objectives defined beforehand in the contractual relationship. In the case of termination of the contract before its term, costs relating to the part of the compensation that exceeds the value of the remuneration that would have been earned by performing those duties up to the end of the contract are also taxed. It is irrelevant whether the compensation is paid directly by the taxable person or if there is a transfer of the inherent responsibilities to another company.

(f) Costs or charges relating to bonuses and other variable remuneration paid to directors and managers are taxed when they represent more than 25% of the annual remuneration and have a value above EUR 27,500, except if payment is subject to deferral of a part not below 50% for a minimum period of three years and conditional upon positive performance of the company during this period. If any of these conditions is breached, the amount corresponding to the autonomous taxation that should have been assessed is added to the amount of the CIT assessed in relation to the taxation period in which the condition is breached.

4.17 - CIT WITHHOLDING TAX RATES

NATURE OF THE INCOME		RESIDENTS RATES (%)[a]	NON-RESIDENTS RATES (%)[b]
Remuneration of board members		21,5%	25%
Provision of services		-	25%[c][d]
Hiring of agricultural, industrial, commercial or scientific equipment		-	25%[c]
Dividends		25%[e]	25%[c][f]
Interest		25%[g]	25%[c][h]
Investment income paid or made available by offshore companies		-	35%
Investment income paid or made available in accounts open in the name of one or more holders but on account of unidentified third parties		35%	35%
Royalties		25%	25%[c][h]
Other investment income		25%	25%[c]
Rental income		25%	25%
Capital gains	From personal property	-	25%[i][j]
	From real property	-	25%[i][j]

(a) Withholding tax with the nature of a payment on account of the final tax due.

(b) Definitive withholding tax, except income from real estate.

(c) This withholding tax rate may be eliminated or reduced under the DTA between Portugal and the country of residence of the beneficial owner of income if the formalities laid down by the law have first been complied with.

(d) Except transport, communication and financial services.

(e) The CIT withholding tax can be dispensed with under the participation exemption rules.

(f) Possibility of exemption, as long as certain prior requirements and formalities are met (including, in particular, the requirement that the share in question should be not less than 10%, and that it must have been held uninterruptedly for the year prior to it being made available or to payments of the profits or reserves), provided for in article 14 of the CIT Code. Any tax that is paid in Portugal because, as at the date of the facts, the requirement for a one-year holding period has not yet been met, may be reimbursed subsequently, by making an application for this purpose.

(g) Possibility to dispense with the CIT withholding tax in the case of interest and other income when it has the nature of a tax paid on account and the requirements of article 97(1)(h) of the CIT Code have been met.

(h) The law establishes various exemptions from interest. These include the one provided for in article 14 of the CIT Code, applicable to interest and royalties provided certain prior requirements and formalities are met (including, in particular, the requirement that the share in question should be not less than 25%, and that it must have been held uninterruptedly for the two years prior to the interest or royalties being made available or paid). The tax that is withheld in Portugal because, on the date of payment or of being made available, the holding period requirement has not yet been met, may be reimbursed subsequently, by making an application within two years of the date of meeting the requirements.

(i) There is no withholding tax on capital gains and the tax is paid definitively by the non-resident, which, for that purpose, must comply with the declaration obligations, one of which is to file the periodic CIT return.

(j) Article 27 of the Tax Benefits Statute exempts capital gains made on shareholdings when certain requirements are met. DTAs may also prevent Portugal from taxing capital gains in certain circumstances.

4.18 - PAYMENT ON ACCOUNT

Entities that carry on a commercial, industrial or agricultural activity as their main activity and non-residents with a permanent establishment in Portugal, must pay the tax in three payments on account, due on the 7th and 9th months, and to the 15th day of the 12th month of the taxation period adopted.

Payments on account by taxable persons whose turnover in the taxation period immediately preceding the one in which these payments must be made is equal to or lower than EUR 500,000, correspond to 80 % of the tax calculated in the immediately preceding taxation period, net of any withholding tax that cannot be compensated or reimbursed, and split into three equal amounts, rounded up to euros.

The payments on account of the taxable persons whose turnover in the taxation period immediately preceding the one in which these payments must be made is above EUR 500,000 correspond to 95 % of the tax calculated in the immediately preceding taxation period, net of any withholding tax that cannot be compensated or reimbursed, and split into three equal amounts, rounded up to euros.

If the taxable person confirms from the information available to it that the amount of the payment on account already made is equal to or greater than the tax that will be due on the basis of the tax base for the taxation period, it does not have to make the third payment on account.

4.19 - SPECIAL PAYMENT ON ACCOUNT (PEC)

Companies that carry on a commercial, industrial or agricultural activity as their main activity, and non-resident companies with a permanent establishment, are subject to a special payment on account (PEC) which must be made during the month of March, or in two instalments during the months of March and October of the year to which it relates (or, if the company adopts a taxation period that does not coincide with the calendar year, in the 3rd and 10th month of the respective taxation period).

The amount of the payment is 1% of the turnover in relation to the preceding taxation period, with the minimum limit of EUR 85,0[12] and, when greater, it is equal to this limit plus 20% of the excess part, with the maximum limit of EUR 70,000.

For this purpose, the turnover corresponds to the value of the sales and of the services provided that generate income that is subject to and not exempt from tax.

12 Under article 2(1) of Law no. 10-A/2017 of 29 March, the special payment on account to be paid by taxable persons in the taxation periods that begin in 2017 and in 2018 benefits from the following reductions:
a) Reduction of EUR 100 on the amount calculated under 106 of the CIT Code; and
b) Additional reduction of 12.5% on the amount that results from the application of a) above.

Among others, there are exemptions from making the special payment on account for taxable persons fully exempt from CIT (even if the exemption does not include income that is subject to definitive withholding), taxable persons that only earn income that is not subject to or exempt from tax, and taxable persons subject to the simplified regime for determining the tax base.

The special payment on account is not deducted from the CIT and can be carried forward up to the 6th following taxation period, after making the remaining deductions.

When the RETGS applies, a special payment on account is due for each one of the companies of the group, including the controlling company, and the latter has the obligation to determine the total value of the special payment on account and to pay it.

4.20 - ADDITIONAL PAYMENT ON ACCOUNT

Companies that carry on a commercial, industrial or agricultural activity as their main activity, and non-resident companies with a permanent establishment, must make three additional payments on account. These payments are due in the 7th and 9th months and on the 15th day of the 12th month of the taxation period in question in cases in which, in the preceding taxation the state surcharge has been due.

The amount of the additional payment on account is calculated by applying the following rates to be part of the taxable profits above EUR 1,500,000 in relation to the preceding taxation period:

TAXABLE PROFIT	RATES (%)
From above EUR 1,500,000 up to EUR 7,500,000	2.5
From above EUR 7,500,000 up to EUR 35,000,000	4.5
Above EUR 35,000,000	8.5

When the RETGS applies, an additional payment on account is due for each of the companies of the group, including the controlling company.

4.21 - PERIOD TO RETAIN TAX-RELEVANT DOCUMENTS

Organised accounting is a requirement for all commercial companies and civil companies in a commercial form, cooperatives, state companies, and the other entities that carry on a commercial, industrial or agricultural activity as their main activity, that have their seat or centre of effective management in Portugal. It is also a requirement for entities which, although they do not have their seat or centre of effective management in this country, have a permanent establishment here, are required to have organised accounting under the terms of the law. This accounting must be done in computerised form and it must make it possible, among other things, to check the taxable profit.

All these entities must have the capacity to export files under the terms and in the formats to be defined by a Ministerial Order of the Minister of Finance.

The books, records and support documentation, and the documentation relating to the analysis, programming and execution of the computerised processing, must be retained in good order for a period of 10 years.

4.22 - COUNTRY-BY-COUNTRY REPORTING - FINANCIAL AND TAX INFORMATION OF MULTINATIONAL GROUPS

Resident entities which, among other requirements, are part of a multinational business group must file, in relation to each taxation period, by the end of the 12th month after the end of the taxation period to which it refers, a declaration of financial and tax information by country or by tax jurisdiction.

In parallel, any company that is resident or has a permanent establishment in Portugal and is part of a group in which any of the companies is subject to filing a financial and tax information declaration by country or by tax jurisdiction, is under an obligation to communicate electronically the data to be reported, and the identification and the country or tax jurisdiction of the reporting company of the group. The data must be reported by the end of the taxation period to which it relates.

The declaration of financial and tax information includes the aggregate, by each country or tax jurisdiction of residence of the entities that make up the group, or by the location of permanent establishments, the following information:

a) Gross income, with a distinction made between the income from transactions with related entities and that from transactions with independent entities

b) Previous results of CIT and taxes on profits that are identical or analogous in nature to CIT

c) Amount due of CIT or taxes on profits that are identical or analogous in nature to CIT, including withholding taxes

d) Amount paid in CIT or taxes on profits that are identical or analogous in nature to CIT, including withholding taxes

e) Share capital and other items of own capital, as at the date of the end of the taxation period

f) Retained earnings

g) Number of full-time workers, or equivalent, at the end of the taxation period

h) Net value of tangible assets, except amounts in cash or equivalent

i) List of the entity is resident in each country or tax jurisdiction, including any permanent establishments, and an indication of the main activities carried on by each one of them

j) other information considered relevant and, if applicable, an explanation of the data provided.

4.23 - EXIT TAX – TRANSFER OF RESIDENCE

To determine the taxable profit of the taxation period in which the termination of activity of an entity with its seat or centre of effective management in Portugal, including the European Company and the European Cooperative Society, as a result of the transfer of the respective residence outside this territory, the differences existing at the date of the termination of the activity in Portugal between the market values and the values relevant for tax purposes are considered as positive or negative components, even if they are not expressed in the accounts.

In the case of a transfer of residence to a country or territory that does not belong to the European Union or the EEA, the tax that is shown to be due as a result of filing the income declaration (to be filed within 30 days of the date of termination) must be paid immediately.

In the case of a transfer of residence of a company with its seat or centre of effective management in Portugal to another Member State of the EU or of the EEA, the part of the tax corresponding to the positive balance of the positive and negative components referred to above, is paid as set out below. In the case of a transfer to an EEA Member State, this only applies provided there is an obligation for administrative cooperation in the area of exchange of information and recovery assistance equivalent to that established in the EU.

If the above conditions are met, the tax is paid as follows:

i. Immediately

ii. In the year following the year of occurrence of the dissolution, transfer or termination of activity of each of the "transferred" assets that are taken into account for the purposes of calculating the tax, with regard to the part of the tax that is equivalent to the tax result for each individually identified item; or

iii. In equal annual payments of 1/5 of the amount of tax calculated, beginning in the tax period in which the transfer of residence occurs.

If a company chooses one of the deferred payment methods, interest is payable at the rate established for default interest, counted from the day following the end of the period of 30 days from the termination up to the date of payment.

The deferred payment of the tax due is also subject to the provision of a guarantee corresponding to the amount of the tax plus 25% whenever there is a well-founded fear that recovery of the tax credit may be frustrated. The failure to pay any instalment results in the subsequent payments falling due immediately.

The exit tax rules do not apply to any assets that remain allocated to a permanent establishment located in Portugal of the company that transferred its seat or centre of effective management abroad.

5 - AGREEMENTS TO PREVENT DOUBLE TAXATION (DTAS)

The Portuguese State has signed DTAs with 79 jurisdictions and 76 of them are currently in force. Three that have been signed are still waiting to come into force:

AGREEMENTS SIGNED BY PORTUGAL	INCOME		
	DIVIDENDS	INTEREST	ROYALTIES
Algeria	10% and 15%	15%	10%
Andorra	5% and 15%	10%	5%
Austria	15%	10%	5 % and 10%
Bahrain	5% or 15%	10%	5%
Barbados (*)	5% and 15%	10%	5%
Belgium	15%	15%	10%
Brazil	10% and 15%	15%	15%
Bulgaria	10 % and 15%	10%	10%
Canada	10% and 15%	10%	10%
Cape Verde	10%	10%	10%
Chile	10% and 15%	5%, 10% and 15%	5% and 10%

China	10%	10%	10%
Colombia	10%	10%	10%
Côte d'Ivoire	10%	10%	5%
Croatia	5% and 10%	10%	10%
Cuba	5% and 10%	10%	5%
Cyprus	10%	10%	10%
Czech Republic	10% and 15%	10%	10%
Denmark	10%	10%	10%
Estonia	10%	10%	10%
Ethiopia	5% and 10%	10%	5%
Finland	10% and 15%	15%	10%
France	15 %	10% and 12%	5%
Georgia	5% and 10%	10%	5%
Germany	15%	10% and 15%	10%
Greece	15 %	15%	10%
Guinea Bissau	10 %	10%	10%
Hong Kong	5% and 10%	10%	5%
Hungary	10% and 15%	10%	10%
Iceland	10% and 15%	10%	10%
India	10% and 15%	10%	10%
Indonesia	10%	10%	10%
Ireland	15%	15%	10%
Israel	5%, 10% and 15%	10%	10%
Italy	15%	15%	12%
Japan	5% and 10%	5% and 10%	5%
Kuwait	5% and 10%	10%	10%
Latvia	10%	10%	10%
Lithuania	10%	10%	10%
Luxembourg	15%	10% and 15%	10%
Macao	10%	10%	10%
Malta	10% and 15%	10%	10%
Mexico	10%	10%	10%
Moldavia	5% and 10%	10%	8%
Morocco	10% and 15%	12%	10%
Mozambique	10%	10%	10%
Netherlands	10 %	10%	10%
Norway	5% and 15%	10%	10%

Pakistan	10% and 15%	10%	10%
Panama	10% and 15%	10%	10%
Peru	10% and 15%	10% and 15%	10% and 15%
Poland	10% and 15%	10%	10%
Qatar	5% and 10%	10%	10%
Romania	10% and 15%	10%	10%
Russia	10% and 15%	10%	10%
São Tomé and Príncipe	10% or 15%	10%	10%
San Marino	10% and 15%	10%	10%
Saudi Arabia	5% and 10%	10%	8%
Senegal	5% and 10%	10%	10%
Singapore	10%	10%	10%
Slovakia	10% and 15%	10%	10%
Slovenia	5% and 15%	10%	5%
South Africa	10% and 15%e 15%	1010%%	1010%%
South Korea	10% and 15%	15%	10%
Spain	10% and 15%	15%	5%
Sultanate of Oman	5%, 10% and 15%	10%	8%
Switzerland	5% and 15%	10%	5%
Sweden	10%	10%	10%
Timor-Leste	5% and 10%	10%	10%
Tunisia	15%	15%	10%
Turkey	5% and 15%	10% and 15%	10%
Ukraine	10% and 15%	10%	10%
United Arab Emirates	5% and 15%	10%	5%
United Kingdom	10% and 15%	10%	5%
United States of America	5%, 10% and 15%	10%	10%
Uruguay	5% and 10%	10%	10%
Venezuela	10% and 15%	10%	10% and 12%
Vietnam	5%, 10% or 15%	10%	10% or 7.5%

*Awaiting publication of the Notice of the Ministry of Foreign Affairs that discloses the exchange of ratification instruments between the signatory states, to come into force.

Non-resident companies that are beneficiaries of income subject to withholding tax in Portugal must prove to the company under the obligation to withhold the tax that they meet the requirements on which the application of the DTA depends, thus allowing the tax to be waived or reduced. This proof must be provided up to the end of the period established to pay the tax that should have been deducted under the applicable rules. The proof is presented in the form approved by order of the member of the Government responsible for finances and it must be:

(i) Duly certified by the competent authorities of the respective State of residence (Mod. 21 to Mod. 24 – RFI; for Spain, the Portuguese/Spanish version of the forms should be used); or

(ii) Accompanied by a document issued by the same authorities attesting to the non-resident company's residence for tax purposes in the period in question and to the fact that it is subject to income tax in this State.

The forms are valid for a maximum period of one year and the beneficiary of the income must immediately inform the company that owes or pays the income of any changes in the requirements on which the total or partial exemption from the withholding tax depends.

If proof is not presented by the end of the period to pay the tax, the beneficiaries of the income may request the full or partial reimbursement of the tax that has been withheld in the 2-year period from the end of the year in which the taxable event occurred. The reimbursement request is made by presenting the documents referred to above.

6 - VALUE ADDED TAX (VAT)

VAT (Imposto sobre o Valor Acrescentado – IVA) is a consumption tax that is charged on transfers of goods and services made for consideration, imports of goods, and intra-EU acquisitions of goods and services.

In the context of VAT, there are sets of operations that are assimilated to transfers of goods and provisions of services. These include certain types of offers or the disappearance of inventory in certain conditions. There are also operations which, despite not falling under the broad notion of a transfer of goods or provision of services, are excluded from the scope of application of this tax. These include assignments, whether or not for consideration, of a commercial establishment, certain types of compensation, and certain categories of subsidies.

VAT taxable persons are individuals or legal entities that habitually carry on an economic activity, or those that engage in a single taxable operation that meets the requirements for the application of Personal Income Tax (as category B business income) or for Corporate Income Tax.

In general terms transfers of goods are taxed at the location they are dispatched, while provisions of services are taxed: (i) when the person acquiring the services is an end consumer, in the location from which the service was provided or (ii) in the case the person acquiring the service is a VAT taxable person, in the place they reside. However, these general are subject to a vast number of exceptions.

Indeed, the legal rules applicable to this tax include a broad range of exemptions. They are: (i) incomplete exemptions, that do not give the right to deduct the input VAT, for example, medical services or letting of property, and (ii) complete exemptions which provide the possibility to deduct the input VAT, for example, exports and intra-EU supplies of goods.

The VAT is due and payable on supplies of goods at the moment the goods are made available to the person acquiring them, and on provisions of services at the time they are provided. However, whenever the transfer of goods or provision of services gives rise to the obligation to issue an invoice, the tax falls due:

a) If the period established for issuing the invoice is respected, at the time of issuance

b) If the period established for issuing the invoices not respected, when the period ends

c) If the transfer of goods or provision of services gives rise to the payment, even if only in part, prior to the issuance of the invoice, at time of receipt of this payment, for the amount received, without prejudice the provision in b) above

The rates of VAT vary according to the type of goods and there are a range of goods that are taxed at a reduced rate. Essentially, they are basic food products, goods and services in the area of health, and cultural goods. There is also another set of goods that are taxable at an intermediate rate.

GOODS AND SERVICES	RATES		
	CONTINENT	MADEIRA	THE AZORES
General rate	23%	22%	18%
Intermediate rate	13%	12%	9%
Reduced rate	6%	5%	4%

7 - SPECIAL EXCISE DUTIES (IEC)

Special Excise Duties (Impostos Especiais de Consumo – IEC) are a set of selective taxes that apply specifically to the production or sale of certain goods, in parallel with other consumption taxes, such as VAT. The following excise duties exist in the Portuguese tax system:

a) Vehicle Purchase Tax ("ISV"), regulated in independent legislation

b) Tax on Alcohol and Alcoholic Drinks ("IABA")

c) Tax on Petroleum and Energy Products ("ISP")

d) Tobacco Tax ("IT")

7.1 - VEHICLE PURCHASE TAX (ISV)

Vehicle Purchase Tax (Imposto sobre Viaturas – ISV) is charged on the acquisition of motor vehicles. The main taxes applicable to light passenger vehicles (the sum of the cubic capacity and environmental components) are as follows:

Cubic capacity component (common)*

CUBIC CAPACITY (cm^2)	RATES PER CUBIC CENTIMETRE (IN EUROS)	DEDUCTIBLE AMOUNT (IN EUROS)
Up to 1000	0.99	767.50
Between 1001 and 1250	1.07	769.00
More than 1250	5.06	5600.00

* The cubic capacity is multiplied by the value corresponding to the tax bracket of the vehicle and the deductible amount is then subtracted.

Environmental component
Petrol vehicles

CO2 SCALE (IN GRAMS PER KILOMETRE)	RATES (IN EUROS)	DEDUCTIBLE AMOUNT (IN EUROS)
Up to 99	4.18	386.00
From 100 to 115	7.31	678.87
From 116 to 145	47.51	5337.00
From 146 to 175	55.35	6454.52
From 176 to 195	141.00	21,358.39
More than 195	185.91	30,183.74

** The cubic capacity is multiplied by the value corresponding to the tax bracket of the vehicle and the deductible amount is then subtracted.

Diesel vehicles

CO2 SCALE (IN GRAMS PER KILOMETRE)	RATES (IN EUROS)	DEDUCTIBLE AMOUNT (IN EUROS)
Up to 79	5.22	396.88
From 80 to 95	21.20	1671.07
From 96 to 120	71.62	6504.65
From 121 to 140	158.85	17,107.60
From 141 to 160	176.66	19,635.10
More than 160	242.65	30,235.96

** The cubic capacity is multiplied by the value corresponding to the tax bracket of the vehicle and the deductible amount is then subtracted.

Diesel-powered vehicles are subject to an increase of EUR 500 on the total amount of tax. This amount is reduced to EUR 250 for light goods vehicles, and there is an exception for vehicles that have a particle emission value below 0.002 g/km.

7.2 - TAX ON ALCOHOL AND ALCOHOLIC DRINKS (IABA)

The Tax on Alcohol and Alcoholic Drinks (Imposto sobre o Álcool e as Bebidas Alcoólicas – IABA) is a tax charged by the volume of the beverage covered by the tax.

TYPE OF ALCOHOL	IABA (EURO PER HECTOLITRE)
Wines and sparkling wines	0.00
Other fermented beverages	10.44
Intermediate products	76.10
Spirits	1386.93
Beer	between 8.34 and 29.30
Intermediate products	8.34
Sugary beverages (sugar content below 80 grams per litre)	16.69

TYPE OF ALCOHOL	IABA (EURO PER HECTOLITRE)
Sugary beverages (sugar content above 80 grams per litre)	50.01
Liquid concentrates (sugar content below 80 grams per litre)	100.14
Liquid concentrates (sugar content above 80 grams per litre)	83.35/100kg
Powder concentrates (sugar content below 80 grams per litre)	166.90/100kg
Powder concentrates (sugar content above 80 grams per litre)	16.46

In the specific case of beers, the rates are:

a) Above 0.5 % vol. and below or equal to 1.2 % vol. alcohol, €8.34/hl

b) Above 1.2 % vol. alcohol and below or equal to 7° Plato, €10.44/hl

c) Above 1.2 % vol. alcohol and above 7° Plato and below or equal to 11° Plato, €16.70/hl

d) Above 1.2 % vol. alcohol and above 11° Plato and below or equal to 13° Plato, €20.89/hl

e) Above 1.2 % vol. alcohol and above 13° Plato and below or equal to 15° Plato, €25.06/hl

f) Above 1.2 % vol. alcohol and above 15° Plato, €29.30/hl

7.3 - TAX ON PETROLEUM PRODUCTS AND ENERGY (ISP)

The Tax on Petroleum and Energy Products (Imposto Sobre os Produtos Petrolíferos e Energéticos – ISP) is charged on energy and energy products. The following table contains a summary of the main applicable taxes.

PRODUCTS	RATE*
Unleaded petrol	€518.95/KL
Leaded petrol	€650.00/KL
Oil	€337.59/KL
Diesel and biodiesel fuel	€278.41/KL
GPL and methane motor fuels	€131.72/T
GPL and methane heating fuels	€7.81/T
Coloured and marked diesel	€77.51/KL
Natural gas motor fuel	€2.87/GJ
Natural gas heating fuel	€0.303/GJ
Electricity	€1.00/MWH

* KL- Kilolitres; T - Tonnes; GJ – Gigajoule; MWH – Megawatts/hour.

7.4 - TOBACCO TAX (IT)

The Tobacco Tax (Imposto sobre o Tabaco – IT) is charged on various products made from tobacco or from manufactured tobacco substitutes. In the case of cigarettes, the tax has two elements: one specific and one ad valorem. The taxable unit of the specific component is 1000 cigarettes, while the ad valorem element results from the application of a single percentage to the retail selling prices of all types of cigarettes.

The rates for specific component and ad valorem component are:

a) Specific component - €94.89

b) Ad valorem component - 15%

Notably, cigarettes are subject to a minimum amount of tobacco tax which corresponds to the minimum total reference tax less the amount of VAT corresponding to the retail selling price of the cigarettes. The minimum total reference price corresponds to 104% of the sum of the amounts that result from the application of the tobacco tax rates and the VAT rate to the cigarettes belonging to the class of most-sold prices of the year that corresponds to the exercise stamp in force.

8 - MUNICIPAL PROPERTY TAX (IMI)

Municipal Property Tax (Imposto Municipal sobre Imóveis – IMI) is charged on the taxable value (valor patrimonial tributário - VPT) of rural and urban properties located in Portugal. IMI is payable by the owner, the person with the right to use and enjoy the property (usufruct) or the owner of the surface rights of the property in question on 31 December of the year to which it relates.

The tax value of the property (VPT) is determined by valuation on the basis of the type of property. If this value results from a direct valuation, it may only be altered on the grounds that the tax value (VPT) is out of date. This is done by carrying out a valuation after three years have passed since the date of the application for registration or of the updating of the property in the register. The same situation applies to the cases in which the VPT results from the general valuation of properties.

The applicable IMI rates are determined annually by the municipalities where the properties are located, and they are always subject to the limits described in the table below:

PROPERTY	RATES	
	MINIMUM	MAXIMUM
Rural properties	-	0.8 %
Urban properties	0.3%[(a)]	0.45%[(a)(b)]
Rural or urban properties owned by an offshore company	-	7.5%

By decision of the municipal council, the municipalities may set a reduction in the rate that will apply in the year to which the tax relates on the basis of the number of dependants that make up the household of the owners on 31 December, in accordance with the following table:

NUMBER OF DEPENDANTS	RATE REDUCTION (IN EUROS)
1	20
2	40
3 or more	70

(a) The rates are tripled if the properties are left vacant or derelict for more than one year.

(b) Municipalities covered by the programme of local economic support may determine that the maximum IMI rate is only 0.5% on the grounds this is necessary to meet the objectives defined in the plans are programmes in question.

Urban buildings destined to be the taxable person's own permanent residence benefit from a safeguard clause under which the chargeable amount of IMI in any year may not exceed the chargeable amount of the immediately preceding year plus, in any of these years, the greater of the following amounts: (i) EUR 75 euros (ii) one third of the difference between the IMI resulting from the current taxation value (VPT) and the IMI that would result from the previous valuation, regardless of any applicable exemptions. This safeguard clause is not applicable to properties where there has been a change in the taxable person, except in the case of free transfers that benefit the spouse or relatives in the ascending and descending lines.

Without prejudice to the rights mentioned above, tax legislation provides for various tax exemptions and temporary derogations, which must be confirmed on a case-by-case basis, but include the following:

- Investments of an environmental nature
- Properties located in a business location
- Urban property subject to rehabilitation – exemption for a period of 3 years from the year, inclusive, of the issuance of the respective municipal licence. This may be renewed at the request of the owner for a further five years in the case of real property rented out as a permanent residence or used as the owner's own permanent residence
- Properties used for shops with a history
- Properties that are part of developments for tourist use – exemption for a period of 7 years

8.1 - MUNICIPAL PROPERTY TAX SURCHARGE (AIMI)

The Municipal Property Tax Surcharge (Adicional ao Imposto Municipal sobre Imóveis – AIMI) is charged on a sum of the tax values of urban properties located in Portugal of which the taxable person is the owner, the person with the right to use and enjoy the property (usufruct) or the owner of the surface rights of the property on 1 January of the year in question.

Urban properties classified as "commercial, industrial or for services" and "other" under the terms of the Municipal Property Tax Code, and properties that have benefited from a Municipal Property Tax exemption in the preceding year, are excluded from the scope of application of the AIMI.

The taxable value corresponds to the sum of the tax values of the properties in question, less the amount of EUR 600,000 when taxable person is an individual or an undivided inheritance. Married couples and de facto couples may opt for joint taxation and, if they do, they will have the right to a deduction of EUR 1,200,000.

The AIMI will apply to the resulting amount at the rates set out in the table below:

TAXABLE PERSON	TAX VALUE	AVERAGE RATE	MARGINAL RATE
Individual and undivided inheritance	Sum VPT – Deduction Average rate applicable up to EUR 1,000,000 and marginal rate on the excess	0.4%	1%
Legal entity	Sum VPT Average rate applicable up to EUR 1,000,000 and marginal rate on the excess	0.7%	1%[(a)]
Residents in a tax haven	Sum VPT Deduction, when applicable	7.5%	-

(a) In the case of a legal entity with properties used for the personnel of the owners of the capital, of the members of the corporate bodies or their family members.

The AIMI is assessed annually in January of each year and must be paid by September of the same year. There is provision for a Personal Income Tax deduction (taxable persons who earn income from real property) and a Corporate Income Tax Deduction for the amounts of AIMI paid.

9 - MUNICIPAL PROPERTY TRANSFER TAX (IMT)

Municipal Property Transfer Tax (Imposto Municipal sobre as Transmissões Onerosas de Imóveis - IMT) is charged on is charged on transfers for value of real estate located in Portugal and is calculated on the basis of the declared value of the operation or the tax value of the property, whichever is the higher. Stamp Duty may also apply to such transactions.

The IMT rates are as follows:

Urban properties or units in urban properties destined exclusively to be the taxable person's own permanent residence:

TAXABLE AMOUNT	RATES	
	MARGINAL	AVERAGE
Up to EUR 92,407	0	0
From above EUR 92,407 up to EUR 126,403	2%	0.5379%
From above EUR 126,403 up to EUR 172,348	5%	1.7274%
From above EUR 172,348 up to EUR 287,213	7%	3.8361%
From above EUR 287,213 up to EUR 574,323	8%	-
Up to EUR 574,323	6% (single rate)	

Urban properties or units in urban properties (apartments) that do not fall within the concept of the taxable person's own permanent residence:

TAXABLE AMOUNT	RATES	
	MARGINAL	AVERAGE
Up to EUR 92,407	1%	1%
From above EUR 92,407 up to EUR126,403	2%	1.2689%
From above EUR 126,403 up to EUR 172,348	5%	2.2636%
From above EUR 172.348 up to EUR 287,213	7%	4.1578%
From above EUR 287,213 up to EUR 550,836	8%	-
Up to EUR 550,836	6% (single rate)	

OTHER PROPERTIES	RATES
Rural properties	5%
Urban properties not destined exclusively for residential use and other acquisitions for value	6.5%
Any properties acquired by an offshore company	10%

Regardless of the above-mentioned rates, the IMT Code provides that certain transfers for value of properties can be exempt from this tax. These include:

- Properties for resale within 3 years
- Urban properties acquired with a view to their rehabilitation as long as the purchaser begins the works in question within 3 years of the date of acquisition (in this case, the exemption operates by way of a reimbursement)
- Urban properties and units in properties acquired exclusively for the taxable person's own permanent residence, on the first transfer for value of rehabilitated buildings, when located in a legally defined area of urban rehabilitation
- Rural properties acquired by young farmer
- Properties listed individually as being of national, public or municipal interest
- Properties acquired by credit institutions in enforcement, bankruptcy/insolvency proceedings or by way of a transfer in lieu of payment

10 - ROAD TAX (IUC)

Road Tax (Imposto Único de Circulação – IUC) is a tax on motor vehicles and the principal taxes applicable to light passenger vehicles (sum of the cubic capacity and environmental components) are the following:

CUBIC CAPACITY (cm^2)	RATES (EUROS)	CO2 TAX BRACKET (GRAMS PER KILOMETRE)	RATES (EUROS)
Up to 1250	28.92	Up to 120	59.33
More than 1250 up to 1750	58.04	More than 120 up to 180	88.90
More than 1750 up to 2500	115.96	More than 180 up to 250	193.08
More than 2500	396.86	More than 250	330.76

The following additional rates applied to lighter vehicles registered in Portugal after 1 January 2017:

CO2 TAX BRACKET (GRAMS PER KILOMETRE)	RATES (EUROS)
More than 180 up to 250	28,92
More than 250	58,04

11 - STAMP DUTY

Stamp Duty (Imposto do Selo) is charged on acts, contracts, documents, books, papers and other items listed in the General Table annexed to the Stamp Duty Code.

The large number of operations and legal situations covered by this tax means there are complex rules connected with questions of territoriality, identification of the taxable person, determination of who must bear the tax, and exemptions

The following table contains the main rates of this tax:

TAXABLE EVENT		RATE
Acquisition for value or by gift of real estate		0.8%
Acquisition for no value of assets by individuals (inheritance and gifts) (except when the beneficial owner is a CIT taxable person, or the spouse, or relative in the ascending or descending line)		10%
Letting or subletting (on one month of rent)		10%
Guarantees (except when accessory to and simultaneous with contracts specially taxed in the General Table)	Period < 1 year - for each month or fraction	0.04%
	Period >= 1 year	0.5%
	No term or term >= 5 years	0.6%
Use of credit	Period < 1 year for each month or fraction	0.04%
	Period >= 1 year	0.5%
	Period >= 5 years	0.6%
	Form of current account, bank overdraft account or account without term with a period of use that cannot be determined - over the monthly average owed	0.04%
Consumer credit*	Period < 1 year for each month or fraction	0.08%*
	Period >= 1 year	1%*
	Period >= 5 years	1%*
	Form of current account, bank overdraft account or account without term with a period of use that cannot be determined - over the monthly average owed	0.08%*
Operations by financial institutions	Interest including discounting bills of exchange	4%
	Commissions for guarantees provided	3%
	Other commissions for financial services[(a)]	4%
	Commissions for insurance mediation	2%

* The rates indicated are increased by 50% on taxable events occurring up to 31 December 2018.

(a) This rate applies to commissions for using credit cards. It was introduced in 2016 with Law no. 7-A/2016 of 30 March (item 17.3.4).

12 - MAIN TAX BENEFITS FOR INVESTMENT

GENERAL LIMITATION ON USING TAX BENEFITS

The net amount of CIT, after deduction of the tax credits for international and economic double taxation and the deduction relating to tax benefits, may not be less than 90% of the amount of CIT that would be due if the taxable person had not enjoyed tax benefits and the specific rules applicable to contributions to pension funds and similar by decision of the Bank of Portugal for companies subject to its supervision.

The limitation on benefits is only applicable to companies that carry on commercial, industrial or agricultural activities as their main activity and to non-resident companies with a permanent establishment in Portugal.

The limitation covers all tax benefits except the following:

- Benefits of a contractual nature
- SIFIDE II (System of Tax Incentives in Business Research and Development)
- Benefits applicable to Free Zones
- Tax Framework to Support Investment (RFAI)
- Deduction for Retained and Reinvested Profits (DLRR)
- The agreed share capital remuneration benefit
- The Incentive for Cinematographic Production provided for in article 59-F of the Tax Benefits Statute

CONTRACTUAL TAX BENEFITS FOR PRODUCTIVE INVESTMENT

These contractual benefits may be granted up to 31 December 2020, for a period of up to 10 years from the conclusion of the investment project, to certain investment projects whose relevant investments are at least EUR 3,000,000. To obtain the benefits, certain subjective and objective eligibility conditions must be met, and certain obligations must be assumed.

Investment projects are eligible if their object is one of the following economic activities:

a) Extractive industry and manufacturing industry
b) Tourism, including activities with interest for tourism
c) IT activities and services and connected
d) Agricultural, aquaculture, fishery, livestock farming and forestry activities
e) Research and development activities and high-technology activities
f) IT and audio-visual and multimedia production activities
g) Defence, the environment, energy and telecoms
h) Shared service centre activities

The above-mentioned investment projects may also receive the following tax benefits:

(i) A tax credit, determined by applying a percentage of between 10 % and 25 % of the relevant investment actually made in the project, to be deducted from the amount of CIT calculated

(ii) Exemption from or reduction in Municipal Property Tax, and Municipal Property Transfer Tax, in relation to properties used by the project developer in the activity carried on in context of the investment project

(iii) Exemption or reduction of the Stamp Duty due for all the acts or contracts necessary to carry out the investment project

JOB CREATION

The costs of net job creation for (i) young people between the ages of 16 and 35 (with the exception of young people under 23 who have not completed secondary education and who are not attending free education-training); and for (ii) the long-term unemployed hired under a permanent contract of employment, are increased to 150% of their actual value.

The maximum amount of the annual increase per job is 14 times the guaranteed minimum monthly salary.

The increase is applicable for a period of five years from the date the contract of employment comes into force. It cannot be accumulated with other tax benefits of the same nature, or with other legally established job creation incentives, when applicable to the same employee or job.

This benefit can only be granted once in relation to the same employee hired by one employer or by another company with which the employer has a special relationship.

DEDUCTION FOR RETAINED AND REINVESTED PROFITS (DLLR)

The Deduction for Retained and Reinvested Profits (Dedução por Lucros Retidos e Reinvestidos – DLRR) is a system of tax benefits for investment in favour of micro, small and medium-sized companies. It consists of a CIT deduction of up to 10% on any retained profits that are reinvested within 3 years of the end of the taxation period to which the retained profits relate.

This deduction covers the situations in which, during the taxation period, the requirements set out in the commercial legislation for advances on account of profits have been met. However, this deduction may not exceed the one that would be obtained based on the profit calculated at the end of this taxation period.

The maximum amount of retained and reinvested profits subject to deduction is EUR 7,500,000 for each taxable person in each taxation period and the reduction may not exceed 25% of the CIT taxable amount (50% in the case of micro and small companies).

In general terms, the DRRP benefits CIT taxable persons resident in Portugal and non-resident taxable persons with a permanent establishment in the country that carry on commercial, industrial or agricultural activities as their main activity, as long as they fulfil all the following requirements:

i. They are micro, small and medium-sized companies

ii. They have regularly organised accounting

iii. Their taxable profit is not determined by indirect methods

iv. Their tax and social security situation is in order

For the purposes of the DLRR relevant applications are fixed tangible assets acquired new, with some exceptions provided for in the law.

■ SIFIDE II - SYSTEM OF TAX INCENTIVES FOR BUSINESS RESEARCH AND DEVELOPMENT

This benefit applies to CIT taxable persons resident in Portugal, and non-residents with a permanent establishment, whose main activity is agricultural, industrial, commercial or services, provided that their tax situation is in order and that their taxable profit is not determined by indirect mean. The benefit takes the form of an allowance against the taxable amount, up to the total amount, of the costs of research and development (R&D) incurred in the taxation periods beginning between 1 January 2014 and 31 December 2020, at a double percentage:

i. Base rate of 32.5% - applicable to expenses incurred in that period

ii. Incremental rate of 50% - applicable to the increase in expenditure over the average of the two preceding years, with a maximum limit of EUR 1,500,000

An increase of 15% on the base rate applies in the case of taxable persons that fall into the category of micro, small and medium-sized companies, but have not yet completed two taxation periods (and which have not, as a consequence, benefited from the incremental rates referred to in the previous point).

Companies interested in benefitting from Entities SIFIDE must submit their applications before the end of May.

When the taxable person cannot deduct the above-mentioned expenses because the tax assessed is too low to allow it, the allowance can be used up to the eighth subsequent tax year.

In relation to the same expense, SIFIDE II cannot be used in conjunction with other tax benefits of the same nature.

■ TAX FRAMEWORK TO SUPPORT INVESTMENT (RFAI)

Under the Tax Framework to Support Investment (Regime Fiscal de Apoio ao Investimento – RFAI) any or all of the following benefits may be granted:

i. A CIT tax allowance of 25 % of the relevant investments in the case of investment made in the regions of the north, centre, the Alentejo, the Azores and Madeira, up to an investment of EUR 10,000,000. The allowance will be 10% in relation to the part of the investment that exceeds the said amount

ii. A CIT tax allowance of 10% of the relevant investments in the case of investment made in the Algarve, Greater Lisbon and Setúbal.

iii. Exemption from IMI for a period of up to 10 years in relation to properties owned that are part

of the investment

iv. Exemption from IMT in relation to acquisitions of properties that are a relevant investment

v. Exemption from Stamp Duty in relation to acquisitions of properties that are a relevant investment.

The RFAI cannot be used simultaneously with any other tax benefits of the same nature, including the tax benefits of a contractual nature, in relation to the same relevant applications, provided for in this or in other legislation. However, it can be used with the DLRR, provided and to the extent that the maximum applicable limits are not exceeded.

TAX BENEFIT FOR SETTING UP COMPANIES IN INTERIOR REGIONS

Provided they meet certain conditions, micro, small and medium-sized companies located in interior regions of Portugal that carry on, directly and as their main activity, an economic activity of an agricultural, commercial or industrial nature, or engage in the provision of services, benefit from a reduced CIT rate of 12.5 % as to the first EUR 15,000 of their tax base.

The interior regions for this purpose are defined by Ministerial Order.

This tax benefit cannot be used at the same time as other benefits of an identical nature. However, companies may choose the most favourable tax benefit, and this is subject to the de minimis rule.

AGREED SHARE CAPITAL REMUNERATION

In determining the taxable profit of companies with their seat or central effective management Portugal, subject to certain conditions, it is possible to deduct an amount corresponding to the agreed share capital remuneration. This amount is limited to each financial year and is calculated by applying the rate of 7% to payments made into the company by shareholders, up to EUR 2,000,000, when these payments are made in the context of incorporating the company as a capital increase, in cash or by converting shareholder loans, or any other credits.

Only the payments in cash corresponding to the conversion of credits of third parties made as from 1 January 2018, or from the first day of the taxation period that begins after this date when this period does not coincide with the calendar year, will be considered.

The deduction will be made in the taxation period in which the payments are made and in the five following periods.

SEED PROGRAMME

In general terms, this programme is a stimulus for private investment in start-ups and it is a means of ensuring new forms of financing for these projects.

Under this programme, PIT taxable persons who make eligible investments up to the amount of EUR 100,000 per year can deduct up to 24% of the amount of the investment, up to the limit of 40% of the PIT. Any amount that exceeds this limit may be carried forward and used in the two following taxation periods. Eligible investments are payments in cash to subscribe capital and certain conditions must be met.

Additionally, any capital gains made from the disposal for value of shareholdings corresponding to eligible investments that have been held for a minimum period of 48 months will be excluded from PIT taxation (in full or in part). This exclusion only applies provided that the gain is (respectively, in full or in part) reinvested in new eligible investments under the Seed Programme in the year in which the capital gain was made, or in the following year. This benefit is subject to the European rules on de minimis aid.

■ TAX BENEFIT FOR THE REORGANISATION OF COMPANIES AS A RESULT OF RESTRUCTURING OPERATIONS OR COOPERATION AGREEMENTS

Restructuring operations or cooperation agreements are, under certain conditions, automatically exempt from IMT, Stamp Duty and fees. However, this benefit is not available in the case of split-up operations (in which it is necessary to file an application for approval of the benefit by the Minister of Finance), or in the case of any operation subject to the approval of the Portuguese Competition Authority.

For this purpose, the information that proves the application of the exemptions in question must appear in the tax dossier.

This benefit extends to residential real property that is used for the main activity carried on by the companies involved, and that is necessary to the restructuring operations or cooperation agreements.

■ INCENTIVE TO RECAPITALISE COMPANIES

IRS taxable persons that make capital contributions in cash to a company in which they have a shareholding, and which is in the situation provided for in article 35 of the Code of Commercial Companies (loss of one half of the share capital), may deduct up to 20% of these contributions from the gross amount of the profit made available by this company or, in the case of disposal of this shareholding, from the balance calculated between the capital gains and capital losses realised.

This deduction occurs upon calculation of the taxable profit in relation to the year in which the contributions in question are made and in the five following years.

This Tax Guide (Guide) was prepared by PLMJ's tax team in order to be consulted by clients of PLMJ Advogados, SP, RL. It is merely informative in character and does not amount to advice or to a professional recommendation, and you should consult a lawyer about any matters dealt with in the Guide. The Guide was prepared exclusively on the basis of the relevant legislation in force on the date of its publication, and this legislation is subject to amendment. In preparing the Guide, we did not take into account any administrative instructions, case law or legal doctrine on the legal rules and provisions covered. Although it covers most of the taxes and tax rules contained in the Portuguese legal system, the Guide is not exhaustive and does not seek to be a full description of the Portuguese tax system.

This guide is updated on the 27 february 2018.

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