

# Policies and Tax Benefits

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## Tax System

This chapter focuses on the main aspects of the Portuguese tax system, briefly presenting the main taxes existing in Portugal as well as the Social Security contribution system and some tax benefits, of which we highlight the most relevant in the context of corporate investment in Portugal.

**Corporate Income Tax (IRC)**

**Personal Income Tax (IRS)**

**Value Added Tax (IVA)**

**Municipal Property Tax (IMI)**

**Real Estate Transfer Tax (IMT)**

**Stamp Duty (IS)**

**Other Indirect Taxes**

Source: [Portugal Global – Trade & Investment Agency \(AICEP\)](#)

## 1. Corporate Income Tax (Imposto sobre o Rendimento das Pessoas Coletivas, IRC)

<b>IRC</b>	<b>Corporate Income Tax (Imposto sobre o Rendimento das Pessoas Coletivas, IRC)</b>
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<b>Effective Date</b>	1 January 1989 (IRC reform came into force on 1 January 2014)
<b>Tax rates</b>	<p>Normal rate: 21%</p> <p>Municipal surtax (“derrama municipal”) up to 1.5% levied on taxable profits (applicable rate depends on the municipality)</p> <p>State surtax (“derrama estadual”) of 3% on taxable profits exceeding €1.5 million, 5% on taxable profits exceeding €7.5 million and 7% on taxable profits exceeding €35 million.</p>
<b>Exemptions</b>	IRC exemptions are available for the State, Autonomous Regions, local authorities and any of their departments, capitalisation funds and income from capital managed by social security institutions, among others.
<b>Returns</b>	<p>Periodic Statement of Return Model 22, to be submitted until May 31 of the following year.</p> <p>Other ancillary obligations (registration, accounting and tax information, amendments, cancellation of registration and monthly remuneration statements, model 30, etc.)</p>

For more information, please visit:  
<https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/ImpostoRendimentoPessoasColetivasIRC.aspx>

## 2. Personal income tax (Imposto sobre o Rendimento das Pessoas Singulares, IRS)

<b>IRS</b>	<b>Personal income tax (Imposto sobre o Rendimento das Pessoas Singulares, IRS)</b>
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<b>Effective Date</b>	1 January 1989 (IRS latest reform came into force on 1 January 2015)
<b>Tax rates</b>	Progressive rates up to 48% Additional solidarity rate of 2.5% or 5%, depending on the taxable income
<b>Exemptions and reduced rates</b>	Exemptions and reduced rates may be applicable under special regimes (e.g., payments from insurance companies and non-habitual residents)
<b>Returns</b>	Annual tax return Statement Model 3, to be submitted from 1 April to 30 June of the year following the year to which the statement corresponds. Deadline may be extended to 31 December in case foreign-income is earned.

For more information, please visit:  
<https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/ImpostosRendimentoPessoasSingularesIRS.aspx>

### 3. Value Added Tax (VAT)

VAT	Value Added Tax (VAT)
<b>Effective Date</b>	1 January 1986
<b>Tax rates</b>	Mainland – 23% (Intermediate 13% / Reduced 6%) Madeira – 22% (Intermediate 12% / Reduced 5%) Azores – 16% (Intermediate 9% / Reduced 4%)

<b>Exemptions</b>	Although they are subject to VAT rules, some transactions are VAT exempted. Exempted transactions which do not confer the right to deduct input VAT are called “incomplete exemptions”; transactions which, although exempted, confer the right to deduct VAT are called “full exemptions”.
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<b>Returns</b>	<p style="text-align: center;">Periodical returns</p> <ul style="list-style-type: none"><li>- Monthly, until the 10th day of the second month following the respective tax period; or, if annual turnover is below €650 000, quarterly, until the 15th day of the second month following the respective tax period.</li></ul> <p style="text-align: center;">Recapitulative return</p> <ul style="list-style-type: none"><li>- Until the 20th day of the month following the intra-community supply of goods and services delivery, in the case of taxable persons with a monthly periodicity to send the Periodical return;</li><li>- Until the 20th day of the month following the transactions, with respect to the taxable persons with a quarterly periodicity to send the Periodical return, of which the total value of intra-community supply of goods to be included in the recapitulative statement exceeds 50 000.00 Euros, in the current quarter or in any of the previous four quarters.</li></ul> <p style="text-align: center;">Intrastat return</p> <ul style="list-style-type: none"><li>- Until the 15th day of the month following the intra-community movement of goods;</li><li>- Until the 20th day of the month following the end of the calendar quarter to which the transactions refer to, with respect to the taxable persons with a quarterly periodicity to send the Periodical Return, of which the total value of intra-community supply of goods to be included in the recapitulative statement does not exceed 50 000.00 Euros, in the current quarter or in any of the previous four quarters.</li></ul> <p style="text-align: center;">Annual return</p> <ul style="list-style-type: none"><li>- Until the 15th July (or the 15th day of the 7th month following the end date of the tax period of IRC, if different from the civil year).</li></ul>
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For more information, please visit:  
<https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/ImpostosValorAcrescentadoIVA.aspx>

## 4. Municipal Tax on Real Estate Holdings (Imposto Municipal sobre Imóveis, IMI)

<b>IMI</b>	<b>Municipal Tax on Real Estate Holdings (Imposto Municipal sobre Imóveis, IMI)</b>
<b>Effective Date</b>	1 December 2003 (replacing the Municipal Property Tax – “Contribuição Autárquica”)
<b>Tax rates</b>	Rural buildings: 0.8% Urban buildings: 0.3% to 0.45% Buildings held by entities resident in tax havens: 7.5%
<b>Exemptions</b>	Urban buildings used as own permanent residence Buildings for tourism use Buildings subject to urban rehabilitation
<b>Payment</b>	Amounts up to €100 – One instalment in May Amounts from €100 to €500 inclusive – Two instalments in May and November Amounts above €500 – Three instalments in May, August and November

For more information, please visit:  
<https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/ImpostoMunicipalImoveisIMI.aspx>

## 5. Property Transfer Tax (Imposto Municipal sobre Transmissões Onerosas de Imóveis, IMT)

<b>IMT</b>	<b>Property Transfer Tax (Imposto Municipal sobre Transmissões Onerosas de Imóveis, IMT)</b>
<b>Entry into force</b>	1 January 2004 (replacing the Municipal Property Transfer Tax – “Imposto Municipal de Sisa”)
<b>Tax rates</b>	<p>Rural buildings: 5%</p> <p>Urban buildings exclusively used as one’s permanent residence – between 0% and 6%</p> <p>Urban buildings exclusively used for residential purposes – between 1% and 6%</p> <p>Urban buildings not exclusively used for residential purposes nor onerous acquisitions – 6.5%</p> <p>Buildings (urban or rural), or other acquisitions, acquired by a resident in a country, territory or region clearly subject to a more favourable tax regime – 10%</p>
<b>Exemptions</b>	<p>Buildings acquired for resale;</p> <p>Buildings individually classified as of national, public or municipal interest;</p> <p>Buildings acquired by credit institutions in enforcement, bankruptcy/insolvency proceedings or in lieu of payment;</p> <p>Buildings located in business areas.</p>
<b>Payment</b>	In general, the IMT should be paid before the act or fact of the assets transfer. When the transfer is made by an act or contract executed abroad, the IMT should be paid in the following month.

For more information, please visit:  
<https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/ImpostosTransmissoesOnerosasImoveisIMT.aspx>

## 6. Stamp duty

	<b>Stamp duty</b>
<b>Effective Date</b>	1 March 2000
<b>Taxable transactions</b>	Stamp Duty is levied on those acts, contracts, documents, securities, books, papers and other facts, expressly set out in the General Table, occurring in Portugal and not subject to or exemption from VAT.
<b>Exemptions</b>	Some facts benefit from stamp duty exemption but this may be conditioned to the verification of certain requirements.
<b>Returns</b>	Annual discriminative return referring of Stamp Duty

For more information, please visit:  
<https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/ImpostoSelo.aspx>

## 7. Other indirect taxes

### 7.1 Excise Duties – IECs

Excise duties are governed in the Excise Duties Code and include the taxation of alcohol and alcoholic beverages, tobacco and petroleum and energy products.

#### 7.1.1 Tax on alcohol and alcoholic beverages (IABA)



<b>Product</b>	
<b>Beer</b>	Variable rate between €8.34/hl and €29.30/hl
<b>Wine</b>	€ 0
<b>Fermented beverages</b>	€ 10,44/hl
<b>Intermediate products</b>	€ 76,10/hl
<b>Ethyl alcohol and spirits</b>	€ 1.386,93/hl

### 7.1.2 Tax on petroleum and energy products (ISP)

Mineral oils, products for sale or use as fuel, other hydrocarbons intended for sale or use as fuel, with the exception of peat and natural gas, as well as electricity, are subject to taxation under the framework of ISP.

### 7.1.3 Tobacco tax (IT)

Tobacco tax is levied on cigarettes, cigars, cigarillos and any other tobacco for smoking. Taxation of cigarettes has two ways: specific and *ad valorem*. The specific tax reflects a taxation per thousand cigarettes, while the *ad valorem* tax stands for the taxation at a fixed percentage of the product's market price. The applicable rates are:

<b>On cigarettes</b>	€101.00 (specific tax) and 14% ( <i>ad valorem</i> tax)
<b>On cigars and cigarillos</b>	25%
<b>Fine-cut tobacco for rolling cigarettes</b>	€0.081 / g (specific tax) and 15% ( <i>ad valorem</i> tax)

<b>Nicotine-containing liquid for electronic cigarettes</b>	€0.32/ml
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## 7.2 Vehicle Tax (ISV)

The ISV intends to charge taxpayers according to the costs they cause in terms of environment, road infrastructure and road accidents. The ISV applies to the manufacture, assembly, admission or import of vehicles subject to taxation in national territory and required to be registered in Portugal.

Vehicles subject to taxation are: light passenger cars, mixed use and goods cars, passenger vehicles, motorhomes, motorcycles, tricycles and quadricycles. Vehicles that are not motorized, especially electric or powered by non-combustible renewable energies, ambulances and light goods cars with an open box or not, are excluded from taxation.

Large families, considered as such households with more than 3 dependents, or with 3 dependents being two of them under the age of 8, are exempted in 50% from ISV.

For further information, see: <https://portugalglobal.pt/PT/InvestirPortugal/Sistema%20Fiscal/Paginas/OutrosImpostos.aspx>

Source: [Portugal Global – Trade & Investment Agency \(AICEP\)](#)

## Incentives

# **1. Contractual Tax Benefits for Productive Investment**

According to Law no. 21/2021 of 20 April, investment projects with an actual investment amount of not less than €3 million within the scope of a productive investment contract may enjoy the corresponding tax benefits until 31 December 2021.

For more information, please visit:  
[https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-\(1\)/Beneficios-contratuais.aspx](https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-(1)/Beneficios-contratuais.aspx)

# **2. DLRR –Deduction for Profits Retained and Reinvested**

The Deduction for Profits Retained and Reinvested (DLRR) is a tax incentive for small and medium-sized enterprises that allows a corporate income tax (IRC) deduction concerning the retained profits used for reinvestment.

For more information, please visit:  
[https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-\(1\)/DLRR.aspx](https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-(1)/DLRR.aspx)

# **3. RFAI – Tax Regime in Support of Investment**

The Tax Regime in Support of Investment (RFAI) is a tax benefit provided for by Decree-Law no. 162/2014 of 31 October, which entitles companies to deduct a certain percentage of their investment applied in non-current assets (tangible and intangible) from the taxable income.

For more information, please visit:

[https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-\(1\)/RFAI.aspx](https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-(1)/RFAI.aspx)

## 4. SIFIDE –Tax Incentives System for Research and Business Development

The Tax Incentives System for Corporate Research and Development (SIFIDE) aims to support corporate R&D efforts and enhance corporate competitiveness by deducting the corresponding R&D expenses from the taxable **corporate income (IRC)**.

For more information, please visit:  
[https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-\(1\)/SIFIDE.aspx](https://www.iapmei.pt/PRODUTOS-E-SERVICOS/Incentivos-Financiamento/Beneficios-fiscais-(1)/SIFIDE.aspx)

Source: [Agency for Competition and Innovation, I. P \(IAPMEI\)](#)