

INCOME TAX

Personal Income Tax (IRS)

Portuguese Personal Income Tax ("Imposto sobre o Rendimento das Pessoas Singulares" or IRS) is applicable to either the income obtained by resident or non-resident entities. Regarding non-resident entities it taxes only their income obtained in Portuguese territory, as to the resident entities it taxes their global income, either from internal or external source. The taxation period is the civil year.

Regarding resident entities, some kind of income may be taxed through final withholding tax, or together with their overall income at a progressive IRS rate that can reach a maximum of 42%, through the delivery of the respective Income Tax Return ("Declaração Modelo 3"). Non-resident entities may be taxed either by definitive withholding tax or are obliged to the delivery of the "Declaração Modelo 3" in some situations (namely in case of capital gains).

Residents	Tax Rate	Obs.
Overall Income	up to 42%	Progressive tax rate applicable to the overall income on the delivery of the respective annual income tax Return. Amounts withheld may be credited against the IRS due.
Dividends	20%	There is an option available to tax this income together with the respective overall income.
Capital Gains (Securities)	10%	There is an option available to tax this income together with the respective overall income.
Capital Gains (Real Estate)	-	This type of income must be taxed together with the respective overall income, but only in 50% of its total amount.
Income from Real Estate assets (eg.: rents)	15%	This type of income must be taxed together with the respective overall income.
Interests from bonds and bank deposits	20%	There is an option available to tax this income together with the respective overall income.

Non-Residents	Tax Rate	Obs.
Capital Gains (Securities)	10%	Capital Gains on Government and Corporate Bonds are exempt. There is also an exemption for securities negotiated in regulated stock-markets regarding securities issued by Portuguese entities. Anti-abuse regulations may apply. Annual Income Statement must be delivered.
Capital Gains (Real Estate)	25%	Annual Income Statement must be delivered.
Income from Real Estate assets (eg.: rents)	15%	Annual Income Statement must be delivered.
Dividends	20%	This tax may be reduced or eliminated according to double tax treaties or Parents-Subsidiary Directive.
Interests	20%	This tax rate may be reduced up to 10% according to double tax treaties or Directive n.º 2003/49/CE.
Bonds	Exempt	This tax exemption is applicable to either interests or capital gains on both, government and corporate bonds. Anti-abuse regulations may apply.
Royalties	15%	This tax rate may be reduced up to 5% according to double tax treaties or Directive n.º 2003/49/CE.
Other services	20%	Some exceptions may apply. This tax may be reduced or eliminated according to double tax treaties.

INDIRECT TAX

VALUE ADDED TAX (VAT)

Portuguese VAT is a consumption tax, applicable to every transactions of goods, rendering of services, imports and intracomunitary acquisition of goods. It has a reasonable degree of harmonization towards EU legislation.

There are several exemptions and tax reductions available , meaning that a case by case analysis of every operation is needed in order to apply the most suitable tax frame.

	Tax Rate	Obs.
General Rate	20%	Levied on goods and services in general.
Intermediate rate	12%	Levied namely on some kind of food products and restaurants.
Reduced rate	5%	Levied namely on essential food products, books and hotels.
Note: Some exemptions may apply, namely on financial services, real estate and health care services. Madeira and Açores have lower VAT rates applicable.		

STAMP DUTY TAX (SDT)

Stamp Duty Tax is levied, namely, on financial, insurance and real estate operations, share capital increases and inheritance transmissions.

Taxable Operation	Tax Rate	Obs.
Credit operations and guarantees	up to 0,6%	Some exemptions may apply namely in operations with respective share holders and between financial institutions.
Insurance premium	up to 9%	Some kind of insurance may be exempt.
Real estate purchases	0.8%	Purchase or donation of property rights on real estate property
Share capital increases	0.4%	Share capital increases in cash are not subjected to STD
Inheritance transmissions	10.0%	Some realities may not be exempt from STD, namely the following: - Transmissions between first degree relatives; - Investment and pension funds transmissions.

PROPERTY TAX

PROPERTY TRANSFER TAX (IMT)

Property Transfer Tax is supported by the respective buyer entity, every time an asset concerning real estate located in the Portuguese territory is acquired.

	Tax Rate	Obs.
Personal residence	0%-6%	Progressive tax rate with the maximum ceiling for Real Estate over EUR 543.900.
Residential Real Estate	1%-6%	Progressive tax rate with the maximum ceiling for Real Estate over EUR 521.700.
Other real estate for construction purposes	6.5%	-
Farm Land	5%	-

Note: Anti-abuse regulations may apply, namely an 8% flat tax rate is applicable to tax haven resident owners. Some exemptions may apply.

PROPERTY TAX (IMI)

Property Tax is an annual tax that must be paid by whom is the respective owner of the real estate on the 31st of December of the respective year. Tax rates are determined by each municipe.

Taxable Operation	Tax Rate	Obs.
Real estate for construction purposes	0,4%-0,8%	Real Estate evaluated according to old rules (until December 2003).
Real estate for construction purposes	0,2%-0,5%	Tax rates applicable to Real Estate evaluated according to new IMI rules (from December 2003).
Farm Land	0.8%	-

Note: Anti-abuse regulations may apply, namely an 1% flat tax rate is applicable to tax haven resident owners. Some exemptions may apply. Returned Real Estate buildings for more than one year ought to be taxed at the double of the above mentioned tax rates.