



Tax & Business Lawyers

NEWSLETTER

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THE 2026 FILING SEASON FOR 2025 PERSONAL INCOME TAX RETURN

In Portugal, the Personal Income Tax filing season, corresponding to the obligation to submit the annual tax return, takes place between 1 April and 30 June of the year following that to which the income relates to.

In this newsletter, we present the key highlights and principal concerns that taxpayers should consider when submitting their income tax return. The lawyers of RFF Lawyers are available to assist taxpayers in complying with this obligation.

Private Clients Team



TAX RESIDENCE AND TAXATION IN PORTUGAL

In Portugal income earned by individuals is subject to Personal Income Tax (PIT).

In this regard, Portugal will levy PIT on the worldwide income of taxpayers who are considered tax resident in Portuguese territory — including individuals covered by the Non-Habitual Resident (NHR) regime and the Tax Incentive for Scientific Research and Innovation (IFICI) regime — and such income must be reported in the taxpayer's annual income tax return (Model 3 PIT return).

Taxpayers who are deemed as tax residents are also required to declare all foreign bank accounts, indicating the respective IBAN and BIC/SWIFT codes, even if such accounts have not generated any income within the relevant fiscal year.

Conversely, where taxpayers qualify as non-residents, Portugal may only tax income sourced in Portugal, and only such income is subject to reporting obligations.

In all cases, the PIT return must be submitted electronically through the website of the Portuguese Tax and Customs Authority (*Portal das Finanças*) between 1 April and 30 June of the year following that to which the income relates. For this purpose, taxpayers must hold an access password to the *Portal das Finanças*, which should already have been obtained or requested as soon as possible, and always prior to the filing period of the Model 3 PIT return.

It should further be noted that, in a given tax year, an individual may qualify as a partial resident in Portugal. For example, if a taxpayer is considered tax resident in Portugal between January and June of a given year and as a non-resident between July and December of the same year, such taxpayer must declare in Portugal the worldwide income earned between January and June, and only Portuguese-source income earned between July and December (meaning in practice, that two separate Modelo 3 PIT returns may have to be submitted, even if they relate to the same fiscal year).

THE IMPORTANCE OF THE CORRECT QUALIFICATION OF INCOME

Under the legislation currently in force, income earned by individuals may be taxed under PIT in accordance with the following categories:

- ✓ Category A – Employment income
- ✓ Category B – Business and professional income
- ✓ Category E – Investment income (capital income)

- ✓ Category F – Rental income
- ✓ Category G – Capital gains (movable and immovable property)
- ✓ Category H – Pensions

Each of these categories is subject to a specific taxation method and may be taxed at different tax rates, making the proper classification of income and its accurate reporting in the Modelo 3 PIT return essential to ensure that the taxation of reported income follows the applicable rules.

Regarding the special NHR tax regime, it is important to note that this regime grants three main benefits, which may be summarized as follows:

1. An NHR taxpayer carrying out activities deemed to be of high added value, as defined by Ordinance approved by the Portuguese Government, may benefit from a special flat tax rate of 20% applicable to employment income (Category A) and business or professional income (Category B)
2. The NHR taxpayer may also benefit from a flat 10% rate applicable to foreign-sourced pension income (Category H), or from a tax exemption, depending on the specific circumstances
3. With regards to other types of foreign-sourced income, an NHR taxpayer may, as an alternative to the tax credit method, benefit from the application of the exemption method as the standard mechanism for eliminating double taxation on their income, provided that the necessary requirements are met.

The application of the 20% or 10% flat rates, or of the exemption method to foreign-source income, depends primarily on the correct qualification of income under Portuguese law and the applicable Double Tax Treaties, and directly on the proper completion of the PIT return.

Concerning the special IFICI tax regime, we highlight its main benefits namely:

1. Taxation at a flat rate of 20% applicable to professional income derived from a qualifying professional activity within the regime
2. Application of the exemption method as the standard mechanism for eliminating double taxation on foreign-source income across all income categories, except for Category H (pensions) and income arising from jurisdictions regarded by Portugal as tax havens and which is already subject to aggravated taxation under the general PIT regime.

Therefore, the correct qualification and reporting of income is of utmost importance to ensure that the taxpayer fully benefits from the advantages available under the special NHR regime or as a beneficiary of the IFICI regime. In the specific case of IFICI beneficiaries and considering that 2025 corresponds only to the second year of application of this regime, particular care and close attention to detail is required in the reporting process, as well as in the subsequent review of the tax assessment to be issued by the Portuguese Tax Authorities.

An incorrect qualification or classification of income may result in the improper completion of the tax return, which, in turn, may result in a higher tax liability than would otherwise have been due had the return been correctly filed.

Conversely, if incorrect reporting leads to the payment of less tax than legally due, the Portuguese Tax Authority may carry out a subsequent official assessment and, where applicable, impose a penalty and charge compensatory interest (for the incorrect filing of the tax return and for the late payment of the tax due, respectively).

TAX-DEDUCTIBLE EXPENSES

In order to ensure that taxpayers can deduct all allowable expenses for purposes of determining the amount of tax payable, taxpayers must request the inclusion of the taxpayer identification number in the invoice issued for each purchase of goods or services.

Furthermore, for such invoices to be considered, taxpayers must subsequently confirm them and verify that they were correctly issued by the service provider or seller.

This procedure requires validation of invoices through the Tax Authority's portal (*e-Fatura*), allocating each expense to the appropriate category, namely:

- ✓ Health expenses and health insurance
- ✓ Gym expenses
- ✓ Education expenses
- ✓ Property-related charges
- ✓ Nursing home expenses
- ✓ Motor vehicle repairs
- ✓ Motorcycle repairs

- ✓ Catering and accommodation
- ✓ Hairdressers and beauty institutes
- ✓ Veterinary activities
- ✓ Monthly public transport passes
- ✓ Newspapers and magazines

It should be noted that the communication of expenses incurred by the taxpayer in 2025, to be deducted for IRS purposes, must be completed by 2 March 2026. The submission of the annual PIT Return (Modelo 3) must then take place between April and June 2026. Between 16 and 31 March 2026, the taxpayer will be able to review the expenses considered by the Portuguese Tax Authority for deduction against the assessed tax and, should any omission or inaccuracy be identified, a claim must be submitted in respect of the general expenses and/or invoices concerned.

In any event, it should be noted that it remains possible to amend the amounts of the invoices previously communicated by making the relevant changes directly when completing the IRS tax return, in which case the respective amounts must be entered manually. In such situations, the amounts declared by the taxpayer to the Portuguese Tax Authority at the time of filing the tax return will replace any amounts previously reported. Any amounts exceeding those previously recorded must be duly justified by the taxpayer.

Also, by 2 March 2026, taxpayers who have changed their household composition and/or other relevant personal details during 2025 must update such information.

Additionally, landlords who have entered into a long-term lease agreement must notify, by 2 March 2026, the duration or termination of such long-term lease to benefit from the applicable PIT tax benefits, namely the reduced tax rates applicable to Portuguese-source rental income.

COMMON REPORTING STANDARD (CRS) RULES

Lastly, regarding the completion of the Model 3 PIT return, it is important to note that information exchange rules are in force, namely the Common Reporting Standard (CRS) and the framework for the automatic exchange of financial account information. These mechanisms provide for the international automatic exchange of tax information between tax authorities in relation to certain facts and income, being this mechanism already fully implemented and operational.

Under these rules, financial institutions report to their domestic tax authorities certain types of payments and financial movements relating to taxpayers' bank accounts and/or other financial instruments, including:

- ✓ Interest, dividends and other investment income
- ✓ Proceeds from the sale of financial assets
- ✓ Bank account balances at the beginning and end of each year
- ✓ Balances of life insurance policies

The exchanged information concerns accounts held by individuals who are resident in any participating jurisdiction, in accordance with the relevant domestic tax legislation.

This implies, for example, that foreign-source interest received by Portuguese tax residents is reported to the Portuguese Tax Authority by the corresponding foreign authority. We emphasize that, through this mechanism, it also becomes imperative to report all bank accounts held abroad.

2026 TIMELINE FOR 2025 PIT RETURN

The Portuguese Tax Authority has made available the following timeline with the required formalities relating to the preparation and submission of the 2025 Modelo 3 PIT return, as set out below:

Date (2026)	Obligation
Until 2 March	Communication of the duration or termination of long-term lease agreements, in order to benefit from the associated tax incentives; Registration and validation of invoices relating to expenses incurred in 2025 (for PIT deduction purposes); Communication of household data as at 31 December 2025; Reporting of rents received by landlords exempt from issuing electronic rent receipts (relating to 2025); and, Communication of expenses related to rents for permanent residence resulting from the transfer of permanent residence to an inland territory of Portugal.

Between 16 and 31 de March	Consultation of expenses considered for PIT deduction purposes and submission of claims regarding omissions or inaccuracies.
Between 1 April and 30 June	Filing of the 2025 Model 3 PIT Return.

CONCLUSION

Regardless of an individual's tax status, resident or non-resident in Portugal, the qualification of income may be complex, and specialized advice and assistance are advisable.

Therefore, the correct and accurate qualification of income and its timely reporting on the Model 3 PIT return are of paramount importance to ensure fair and appropriate taxation, which requires the proper completion of the Model 3 PIT return.

Finally, we note the amendment to the PIT Code (introduced by Law no. 82/2023, of 29 December), which requires the reporting in the Model 3 PIT return of assets held in jurisdictions with a clearly more favourable tax regime and of crypto-assets. This rule was already applicable in the previous filing season and remains in force, with the reporting obligation for such assets remaining in place.

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