Country Guide

Portugal

Information provided is current as of June 2026

Bloomberg Tax

Table of Contents

1. Overview

1.1. Government and Tax System

Portugal is an independent country located on the south-western tip of the European continent. Together, Portugal and Spain form the Iberian Peninsula. Portugal has a surface area of 91,906 sq km, including Madeira and the Azores Islands, and has about 10,000,000 inhabitants. Portugal has been a European Union (EU) member since 1986 and is a part of the Eurozone.

Key tax legislation in Portugal includes the:

- Personal Income Tax Code *(Código do Imposto sobre o Rendimento das Pessoas Singulares, or CIRS);*
- Corporate Income Tax Code *(Código do Imposto sobre o Rendimento das Pessoas Coletivas, or CIRC);*
- Tax Benefits Statute *(Estatuto dos Benefícios Fiscais);*
- Municipal Property Tax Code *(Código do Imposto Municipal sobre Imóveis);*
- Municipal Tax on Transfer of Real Estate Code *(Código do Imposto Municipal sobre as Transmissões Onerosas de Imóveis);*
- General Regime of Tax Infractions *(Regime Geral das Infrac¸ões Tributárias);*
- *General Tax Law (Lei Geral Tributária);*
- Tax Procedures Code *(Código de Procedimento e de Processo Tributário);*
- Investment Tax Code *(Código Fiscal do Investimento);*
- Stamp Tax Code *(Código do Imposto do Selo); and*
- Value Added Tax Code *(Código do Imposto sobre o Valor Acrescentado).*

Planning Point – Housing and Rental Incentives: Portugal has enacted Decree-Law No. 97/2026 of May 20, 2026, introducing a broad housing and residential rental tax incentive package. The decree-law amends the VAT Code, the Personal Income Tax Code, the Tax Benefits Code and the Real Estate Transfer Tax Code, and creates new regimes for investment contracts for residential rental and simplified affordable rental.

The package includes, among other measures:

- *the temporary application of the reduced 6 percent VAT rate to qualifying construction and rehabilitation works relating to residential properties intended for sale as the purchaser's permanent home or for residential rental, subject to moderate price or rent limits;*
- *reduced taxation of qualifying rental income;*
- *an exemption from personal income tax and corporate income tax for qualifying affordable rental income under the simplified affordable rental regime;*
- *incentives for qualifying alternative investment vehicles investing in affordable rental assets;*
- *a partial VAT refund regime for individuals building their own permanent home; and*
- *IMT and Stamp Duty relief for qualifying first acquisitions of cost-controlled housing.*

The decree-law also creates a contractual investment regime under which qualifying investors may enter into investment contracts for residential rental with the Portuguese Housing and Urban Rehabilitation Institute and benefit from tax incentives for up to 25 years, including IMT, Stamp Duty, IMI, Additional IMI and VAT-related incentives, subject to eligibility, rental cap and monitoring requirements. Several income tax and tax benefit measures apply from January 1, 2026, while the investment contract regime and the simplified affordable rental regime take effect from September 1, 2026.

Further details of changes relevant to this chapter will be included in a future update.

1.2. Currency

The currency in Portugal is the euro.

1.3. Membership of International Organizations

Portugal is a member of the EU, Eurozone, Organization for Economic Cooperation and Development (OECD) and World Trade Organization (WTO).

1.4. Official Websites

In Portugal, the following tax or finance authority websites apply:

- Tax Authority – https://www.portaldasfinancas.gov.pt
- Ministry of Finance – https://www.min-financas.pt
- Banco de Portugal (central bank) – https://www.bportugal.pt

1.5. Automatic Exchange of Information

Portugal has ratified the Convention on Mutual Administrative Assistance in Tax Matters.

Portugal is a signatory to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information and has enacted legislation to implement the Common Reporting Standard (CRS).

Portugal is a signatory to the Addendum to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information ("Addendum to the CRS-MCAA").

Portugal is a signatory to the Multilateral Competent Authority Agreement on Automatic Exchange regarding CRS Avoidance Arrangements and Opaque Offshore Structures ("the MDR-MCAA").

Portugal has enacted legislation to implement the provisions of Directive 2014/107/EU (DAC2) (amending Directive 2011/16/EU (DAC)) on mandatory automatic exchange of tax information within the EU.

Portugal has enacted legislation to implement a Foreign Account Tax Compliance Act (FATCA) Model 1 Intergovernmental Agreement (IGA) with the United States.

Portugal is a signatory to the Multilateral Competent Authority agreement on the automatic exchange of country-by-country (CbC) reports.

Portugal is a signatory to the Multilateral Competent Authority Agreement on Automatic Exchange of Information on Income derived through Digital Platforms ("the DPI-MCAA").

Portugal is a signatory to the Multilateral Competent Authority Agreement on Automatic Exchange of Information Pursuant to the Crypto-Asset Reporting Framework ("CARF-MCAA").

Portugal is a signatory to the Multilateral Competent Authority Agreement on the Exchange of GloBE Information ("GIR-MCAA")

Portugal is a member of the Inclusive Framework on Base Erosion and Profit Shifting (BEPS). The Inclusive Framework allows interested countries and jurisdictions to work with OECD and G20 members on developing standards on BEPS-related issues, and to review and monitor implementation of the BEPS Actions, with particular focus on the BEPS minimum standards.

2. Corporate Tax Computation and Administration

2.1. Residence, Taxable Status, Entity Characterization

2.1.1. Residence

Corporate entities have their tax residence in Portugal when they have their head office (legal seat) or place of effective management in Portugal. [1]

[1] CIRC, Article 2(3).

The Portuguese tax authority views the "place of effective management" as the place where the corporate bodies responsible for the management and higher control of the company, are based.

2.1.2. Taxable Status

Corporate income tax (*Imposto sobre o Rendimento das Pessoas Colectivas* or IRC) applies to:

(i) companies with their head office or effective management in Portugal that carry out commercial, industrial, or agricultural activities;

(ii) unincorporated entities with their head office or effective management in Portugal; and

(iii) corporate or unincorporated entities without their head office or effective management in Portugal, in respect of their Portuguese sourced income. [2]

Certain resident companies are classified as fiscally transparent for Portuguese tax purposes. [3] This includes companies that carry on professional activities, civil companies not commercially incorporated, European Economic Interest Groupings and family holding companies. Where this applies, shareholders are taxed directly on the company profits, as calculated under the corporate income tax rules.

2.1.3. Legal Classification of Nonresident Entities

Nonresident entities whose profits are not subject to personal income tax (IRS), are liable for corporate income tax on income that, under Article 4.3 of the CIT Code (*Código do Imposto sobre o Rendimento das Pessoas Coletivas*, or CIRC), is deemed to be derived in Portugal. [4] See Section 2.2.2.

2.2. Corporate Tax Base

2.2.1. Resident Corporations

Resident companies pay Portuguese corporate income tax on their worldwide taxable income. [5]

2.2.2. Nonresident Corporations

Nonresident corporations without a permanent establishment (PE) in Portugal are subject to tax on profits derived in Portugal.

Capital gains derived by a nonresident company from the disposal of movable and immovable property located in Portugal is subject to tax at 25 percent. A return is required to be submitted, and withholding is not imposed.

There is generally no tax on capital gains from the disposal of shares, securities, autonomous warrants traded on a regulated market and derivative instruments traded in a regulated market. However, this exemption will not apply if:

- more than 25 percent of the nonresident company is owned, directly or indirectly, by a Portuguese company or, the nonresident company is in a country or territory listed as a tax haven; or
- the gains are derived from shares or securities of a Portuguese real estate company which holds more than half its assets as Portugal-situs immovable property or of a Portuguese holding company controlling such real estate company.

Capital gains derived from the transfer of shares by a Portuguese PE of an EU or EEA resident company, or a Portuguese PE of a company resident in a treaty partner country, may be exempt from tax under the participation exemption regime, subject to certain requirements. The requirements include that, (1) the taxpayer holds (directly or indirectly) at least 10 percent of the share capital and voting rights, and (2) the shares were held continuously (or maintained) for a consecutive 12-month period.

In addition, withholding tax applies to Portuguese sourced income to nonresidents (see Section 5).

Nonresident companies with a PE in Portugal are subject to corporate income tax on profits attributable to that PE (See Section 2.2.4.1).

---

[2] CIRC, Article 2(1).

[3] CIRC, Articles 6(1) and 6(2).

[4] CIRC, Art. 2.1.c).

[5] CIRC, Article 4(1).

2.2.3. Non-Corporate Business Entities

2.2.3.1. Recognition

In Portugal, it is possible to incorporate as business entities other than corporations. For example, it is possible to incorporate as a foundation or an association.

2.2.3.2. Tax Status

In general, non-corporate entities are subject to corporate income tax, if they are not otherwise subject to income tax on their profits. [6]

2.2.4. Permanent Establishments

2.2.4.1. Domestic Law Definition

The definition of PE under Portuguese Law is similar to the one provided by the Organization for Economic Cooperation and Development (OECD) Model Convention.

A "permanent establishment" is generally defined as a "fixed place of business through which the company carries out commercial, industrial, or agricultural activities". [7]

The term "permanent establishment" includes a place of management, a branch, an office, a factory, a workshop, a mine, an oil or gas well, a quarry, or any place of extraction of natural resources. [8]

In these examples, it is important that the "place" is fixed and that the enterprise carries on the activity through this fixed place of business.

A permanent establishment also includes:

- a building, installation or assembly site, as well as inspection and supervision activities, when the duration of that site or activities exceeds six months;
- installations, platforms or ships used in the exploration or exploitation of natural resources, when the duration of the activity exceeds 90 days;
- services, including consultancy services, provided by a company, through its own employees or other persons hired by the company to carry out the activities in Portugal, provided the activities are carried out for a period that exceeds 183 days in a 12-month period. [9]

A person, other than an independent agent, is deemed as having created a permanent establishment if they act in Portugal on behalf of a company and they:

- have, and usually exercise, powers of intermediation and conclusion of contracts that bind the company. This happens when the person signs contracts on behalf of the company regarding the transfer or right to use company goods or the provision of services;
- usually exercise a decisive role in the signing of contracts on a routine basis and without substantial changes; or
- maintain goods or merchandise in Portugal for delivery by the company, even if they do not usually conclude contracts in relation to those goods or have any intervention in the conclusion of the contracts. [10]

A company is not regarded as having a permanent establishment in Portuguese territory by the mere exercise of its business through a commission agent or other independent agent, provided that such persons act within the normal scope of their activity, carrying the same business risk as an agent. [11]

According to Paragraph 8 of Article 5 of the IRC Code a "permanent establishment" does not include:

- the use of facilities solely for the purpose of storage, or display of goods or merchandise belonging to the enterprise;

---

[6] CIRC, Article 2(1).

[7] CIRC, Article 5(1).

[8] CIRC, Article 5(2).

[9] CIRC, Article 5(3), as amended by Law No. 75-B/2020 of December 31, 2020.

[10] CIRC, Article 5(6).

[11] CIRC, Article 5(7).

- the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;
- the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise;
- collecting information for the enterprise;
- the maintenance of a fixed place of business solely for the purpose of carrying on any other activity of a preparatory or auxiliary character for the enterprise; or
- the maintenance of a fixed place of business solely for the purpose of any combination of activities mentioned above, provided that the overall activity of the fixed place of business resulting from this combination has a preparatory or auxiliary character.

The exclusion for preparatory or auxiliary activities does not apply to a fixed place of business, or a stock of goods used or maintained by an enterprise, where the same enterprise or a closely related enterprise carries on business activities in the same location or in another location in Portuguese territory, and the business activities carried out are complementary and part of a cohesive business operation. [12]

2.2.4.2. Treaty Definition

As a general rule, Portugal follows the definition in the OECD model treaty.

2.2.4.3. Creation via Performance of Services

A permanent establishment exists where services, including consultancy services, are provided by a company, through its own employees or other persons hired by the company to carry out the activities in Portugal, provided the activities are carried out for a period that exceeds 183 days in a 12-month period. [13]

2.2.4.4. Creation via Customer Downloads or Website Access

Portugal follows the OECD guidelines.

2.2.4.5. Creation via Cloud Services

There has been some discussion as to whether the use of electronic commerce operations of computer equipment, namely a "server," in Portugal could constitute a PE.

In determining the main criteria to answer the question of whether an enterprise has a PE in Portugal (if a server is in Portugal), it is important to highlight the:

- concept/definition of a server and its activities/functions;
- activity/purpose of the company;
- residence concept;
- domestic rules and the existence or not of a tax treaty;
- fixed installation; and
- activity of a preparatory or auxiliary character.

A server is a piece of computer equipment. According to Commentary 4 of the OECD Model Tax Convention, the term "place of business" covers any premises, facilities, or installations used for carrying on the business of the enterprise, whether they are used exclusively for that purpose or not. A place of business may also exist where no premises are available or required for carrying on the business of the enterprise and it simply has a certain amount of space at its disposal. It is immaterial whether the premises, facilities, or installations are owned or rented by or are otherwise at the disposal of the enterprise.

[12] CIRC, Article 5(9), as amended by Law No. 75-B/2020 of December 31, 2020.

[13] CIRC, Article 5(3), as amended by Law No. 75-B/2020 of December 31, 2020.

According to Commentary 42.4 of the OECD Model Tax Convention, computer equipment at a given location may only constitute a permanent establishment if it meets the requirement of being fixed. In the case of a server, what is relevant is not the possibility of the server being moved, but whether it is in fact moved. To constitute a fixed place of business, a server will need to be located at a certain place for a sufficient period to become fixed within the meaning of the general definition of PE (see Section 2.2.4.1).

The duration for which the foreign company operates the server in Portugal is immaterial. To constitute a PE, it is sufficient that the server remains on a particular site. In other words, the equipment constituting the fixed place of business does not have to be fixed to the soil on which it stands.

From a legal and practical perspective, the server as a piece of computer equipment with a physical location in Portugal, may constitute a PE of the company that operates that server if it meets the general requirements of a fixed installation through which an activity is carried on.

The profits of the foreign company may be taxed in Portugal, but only to the extent that they are attributable to the PE. The PE is taxed on its effective real profit estimated from its accounting.

2.3. Taxable Year

2.3.1. Default Taxable Year

The standard tax year generally follows the calendar year. However, a corporate entity that is a tax resident in Portugal, as well as a PE of a nonresident corporate entity, can choose to adopt a different tax year from the calendar year, provided it coincides with the corporate entity's financial year.

An entity that has changed its tax year to a period that does not match the calendar year must keep the new tax year for the next five tax periods. However, this limitation does not apply whenever the relevant corporate entity is integrated in a group of companies that are required to consolidate their accounts, and the parent company adopts a different tax year. [14]

2.3.2. Reference Year for Computation of Tax

In a given taxable year, taxpayers are subject to tax on income earned in that year, but the income is reported in a return filed in the following year. Therefore, returns filed in 2027 will report income from the 2026 taxable year and calculate tax on that basis.

2.4. Computing Taxable Income

2.4.1. General

The taxable income of a corporate entity corresponds to its profits and losses regarding the relevant tax year, stated in its financial statements, and adjusted in accordance with the corporate income tax code. The tax adjustments provided for in the corporate income tax code mainly concern: (i) positive and negative variations in the value of the company's assets not reflected in the P&L account; (ii) government allowances and grants; (iii) capital gains; and (iv) nondeductible costs, depreciation, and reserve accounts.

Taxable income includes income and gains arising from any type of transaction, regardless of whether the transaction is part of the regular business activity of the relevant entity, including:

- income derived from sales, discounts, bonuses, reductions of price or commissions;
- real estate investment income;
- financial income, such as interest, dividends, discounts, agios, transfers, foreign exchange differences, bond issuance premiums, and income resulting from the application of the effective interest method to financial instruments measured at the amortized cost;
- income arising from industrial property and similar income;
- income arising from the rendering of services of a scientific or technical nature;

[14] CIRC, Articles 8(1)–(3).

- gains resulting from the application of the fair value principle to financial instruments and consumable biological assets;
- realized capital gains;
- indemnities received; and
- government grants related to exploitation. [15]

In general, expenses are deductible for tax purposes where they are incurred for the purpose of generating the taxable income. [16] Article 23 of the CIRC comprehensively lists relevant deductible expenses. Certain expenses listed in Article 23-A of the CIRC are specifically not deductible.

2.4.2. Exempt Income

Certain income and organizations are specifically exempt from corporate income tax in Portugal. These include (amongst others):

- the State and public utility companies;
- income directly derived from cultural, recreational and sporting activities provided by legally constituted associations subject to several conditions; and
- profits realized by legal persons and other non-resident maritime and air navigation entities from the exploitation of ships or aircraft, subject to reciprocity. [17]

Dividends distributed to a corporate entity resident in Portugal may be exempt from corporate income tax if certain requirements are met (see Section 2.5).

2.4.3. Inventory Valuation and Inventory Flow

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. [18]

Cost should include: (i) purchase costs (including taxes, transport and handling) net of trade discounts received; (ii) costs of conversion (including fixed and variable manufacturing overheads); and (iii) other costs incurred in bringing the inventories to their present location and condition. In certain limited circumstances, borrowing costs (interest) or other directly associated costs, in accordance with specifically applicable accounting standards, can also be included in the cost of inventories account. [19]

2.4.4. Depreciation or Capital Allowances

Depreciation allowances are deductible for corporate income tax purposes, where they relate to:

- property, plant and equipment and intangible assets; or
- non-consumable biological assets and investment property. [20]

Deprecation of land is not deductible.

In general, depreciation is calculated using the straight-line method at the rates established by Decree 25/2009 of September 14, 2009.

The declining-balance method may be used for new tangible fixed assets other than: (i) buildings; (ii) office furniture and social equipment; and (iii) passenger vehicles and mixed passenger and goods carriage vehicles not used for public transport or rental. [21]

Corporate entities can deduct over a period of 20 tax years, an amount equal to 1/20 of the acquisition cost of industrial property rights, such as trademarks, licenses, production processes and other similar rights acquired for consideration, with an unlimited lifetime, provided that the costs are identified and individually registered in the

[15] CIRC, Article 20.
[16] CIRC, Article 23.
[17] CIRC, Articles 10–14.
[18] CIRC, Article 28.
[19] CIRC, Article 26(2).
[20] CIRC, Article 29.
[21] CIRC, Article 30.

accounts of the relevant entity. Goodwill acquired in a business combination may be deducted in equal parts over a 15-year period. [22]

This does not apply to intangible assets acquired through a merger, spin-off or transfer of assets in which the neutrality regime was applied, goodwill related to shares, intangible assets acquired from an entity resident in a tax haven, and intangible assets acquired from a related entity under the applicable transfer pricing framework.

Expenditure on fixed assets with an acquisition or production cost of 1,000 euros or less may be written off in full in the tax year of acquisition or production (except in the case of assets that are part of a group of assets that are to be depreciated jointly). [23]

2.4.5. Reserves

The following provisions are deductible for corporate income tax purposes:

- provisions to cover liabilities and charges arising from ongoing judicial proceedings concerning facts that would entail the recording of the corresponding costs as deductible costs of the relevant tax year;
- provisions to cover charges relating to guarantees provided to clients, as set out in sales or services supply agreements;
- provisions mandated by the Portuguese Insurance Institute, created by either Portuguese insurance companies or a PE in Portugal of an EU insurance company; and
- provisions created by companies acting in the extraction industries sector or in the waste treatment and elimination sector for the repair of environmental damages in the places being exploited, if the repair is mandatory or is to be executed after the termination of the exploitation. [24]

2.4.6. Special Allowances

Tax regime for investment support [25]

Legal persons engaged in an activity in the following sectors may qualify for certain corporate income tax and real estate tax benefits on qualifying investments:

- extractive industries;
- manufacturing industries;
- tourism;
- IT activities and services;
- IT technologies and audiovisual and multimedia production;
- activities of shared service centers; and
- defense, environment, energy and telecommunications.

Qualifying investments include certain tangible fixed assets (excluding land) and intangible assets, involving the transfer of technology, through the acquisition of patent rights, licenses or know-how. Also, salary costs arising from the creation of jobs for staff with level 7 or level 8 qualifications of the National Qualifications Framework (NQF).

The acquired assets and jobs created must remain in the company for at least three years in the case of micro enterprises and small and medium-sized enterprises (SMEs), and five years in other cases.

Investment in intangible assets and salary costs cannot exceed 50 percent of eligible expenses for companies not qualifying as micro enterprises or SMEs.

[22] CIRC, Article 45A, as amended by Law No. 82/2023, Article 237.
[23] CIRC, Article 33.
[24] CIRC, Article 39.
[25] Investment Tax Code, Articles 22–26.

Tax benefits include a corporate income tax credit as follows:

- For investments carried out in the North, Centre, Alentejo, Autonomous Region of the Azores and Autonomous Region of Madeira, 30 percent of the relevant investment up to 15 million euros and 10 percent of the relevant investments, for the excess; and
- For investments in the regions of Algarve, Lisbon and its surroundings and Setúbal peninsula, 10 percent of the relevant investments.

In addition, qualifying investments qualify for an exemption or reduction of Municipal Tax on Real-Estate Ownership, Municipal Tax on Real-Estate Transactions and Stamp Duty.

Contractual tax investment incentives

Under the Investment Tax Code, qualifying investment projects with a value of at least 3 million euros may, until December 31, 2027, be granted a number of contractual tax benefits (including a corporate tax credit ranging from 10 percent to 25 percent of the project investments actually carried out) for a period of up to 10 years from the completion of the relevant project. [26]

Income from copyright and industrial property rights

An 85 percent exemption is available for income derived from contracts that assign the temporary use of patents, industrial designs or models and copyrights with respect to computer software, where certain conditions are met. This is also applicable to income derived from the breach of industrial property rights and copyrights. [27]

Extraordinary support scheme for costs incurred in agricultural production

For the purpose of determining taxable income for tax periods beginning on or after January 1, 2024, [28] resident taxpayers primarily engaged in a commercial, industrial or agricultural activity, and permanent establishments of nonresident entities, may, when used within the scope of agricultural production activities, deduct 140 percent of expenses and losses incurred in the acquisition of:

- compost, organic and mineral fertilizers, and correctives;
- flours, cereals, and seeds, including mixtures, residues, and waste from food industries, and any other products suitable for the feeding of livestock, poultry, and other animals, referred to in the *Codex Alimentarius* ("food code"), irrespective of breed and life functionality, that are intended for human consumption;
- irrigation water; and
- glass bottles.

Planning Point: Amounts that are non-deductible because they exceed the minimum tax safeguard limit in Article 92 of the CIT Code can be carried forward for the following 10 tax periods.

Tax incentive to encourage corporate capitalization

Qualifying resident companies can benefit from a deduction against taxable profits in relation to net increases in eligible equity. [29] From January 1, 2025, the deduction amount is calculated by applying the average 12-month Euribor rate for the tax year, plus a spread of 2 percent, to the amount of net increases in eligible equity. The deduction is increased by 50 percent in 2025 and 20 percent in 2026, subject to the limits set out below. [30]

The deduction is capped in each tax period at the higher of (i) 4 million euros, or (ii) 30 percent of earnings before interest, tax, depreciation and amortization (EBITDA). Any unused deduction exceeding the 30 percent of EBITDA limit is deductible over the next five tax periods, subject to the same limit.

[26] Investment Tax Code, Articles 2–21, as amended.
[27] CIRC, Article 50-A, as amended by Law 12/2022, Article 283.
[28] Law No. 82/2023, Article 240.
[29] Tax Benefits Statute, Article 43-D, as amended, most recently, by Law No. 45-A/2024, Article 91.
[30] See Laws Nos. 82/2023, Article 238 and 45-A/2024, Article 116.

For these purposes, the amount of net increase in eligible equity is determined by reference to the sum of net increases in the current tax year and in each of the six previous tax periods. Only net increases in equity occurring in tax periods commencing on or after January 1, 2023 are included in the calculation.

SMEs: Enhanced expense deduction for first-time trading on regulated markets

From June 29, 2024, qualifying agricultural, commercial and industrial SMEs and micro enterprises (including small-medium and medium capitalization companies) can benefit from an additional 100 percent expense deduction in relation to:

- the first-time listing of shares on a regulated market; or
- a first-time public share offer performed in the same tax year or in the tax year before such listing. [31]

To qualify for the enhanced deduction for eligible expenses, the listing or public share offer must result in at least 20 percent of the enterprise's shares being held publicly. Eligible expenses for these purposes are directly associated fees, commissions and other charges, including for preparatory acts and intermediation.

An additional 50 percent deduction for eligible expenses is available for a second listing on a regulated market, with no further minimum public shareholding requirement.

Tax incentive for salary increases

A tax incentive regime for increased employment expenses is available until December 31, 2026. [32] In determining the taxable income of a corporate income taxpayer, or a personal income taxpayer with organized accounting, the expenses corresponding to salary increases for workers with an indefinite-term employment contract are taken to be 200 percent of the respective amount, accounted as cost for the relevant year.

For these purposes, workers must be covered by a dynamic collective labor regulation instrument. Their fixed remuneration must have increased by at least 4.6 percent with reference to the previous year, with the increase capped at five times the guaranteed minimum monthly wage.

2.4.7. Special Provisions or Limits Applicable to Foreign Companies

There are special provisions and limitations applicable to a foreign company's business in Portugal. Namely, anti-avoidance rules, as explained below.

Certain tax benefits are available to nonresident companies to encourage investment in Portugal. These measures include exemptions in respect of: interest on loans granted by nonresident financial institutions to resident credit institutions; gains derived from swaps and forwards when obtained by nonresident financial institutions in operations with resident credit institutions or the state; and interest on term deposits when made by nonresident financial institutions.

2.5. Intercompany Dividends

Dividends distributed to a corporate entity resident in Portugal may be exempt from corporate income tax, [33] if the following requirements are met:

- the beneficiary holds, directly or indirectly, at least 10 percent of the share capital or voting rights of the distributing entity;
- the relevant participation has been held uninterruptedly for a period of one year prior to the distribution (or, if held for a shorter period, the shareholder must commit to keep the participation until the completion of the one-year period); and
- the distributing entity is:
    - not a corporate entity resident in a listed tax haven; and

[31] Tax Benefits Statute, Article 32-E, as inserted by Law No. 31/2024, Article 5.

[32] Tax Benefits Statute, Article 19-B, as amended, most recently, by Law No. 73-A/2025, Article 73.

[33] CIRC, Article 51.

- subject to and not exempt from corporate income tax or a tax referred to in the Parent-Subsidiary Directive or a similar income tax, with a rate not lower than 60 percent of the Portuguese corporate income tax rate in force (the "subject to tax condition"). In certain cases, the dividends may still be exempt even if the subject to tax condition is not met, if at least 75 percent of the distributing company's profits derive from qualifying activities.

2.6. Special Tax Regimes

2.6.1. Economic Zones

Qualifying entities licensed to operate in the Madeira Free Trade Zone ("FTZ"), also known as the Madeira International Business Centre, from January 1, 2015 to December 31, 2026, benefit from a special tax regime. The tax benefits associated with the special tax regime are available until December 31, 2033. [34]

Key tax benefits include:

- a reduced corporate income tax rate of 5 percent (subject to various requirements);
- exemption from withholding tax on interest on loans granted by a nonresident entity, provided the loan funds are to be invested within the scope of the FTZ;
- no withholding tax on royalties or service fees paid by a corporation company established in an FTZ to a nonresident entity, provided the respective service or right (for example, a patent or copyright) is related to the activity carried on by the paying corporation company within the scope of the FTZ;
- a stamp duty exemption for documents, agreements, transactions or acts regarding the company authorized to operate in the FTZ;
- a real property tax exemption with respect to real property directly used in the activities of the company in the FTZ; and
- a real estate transfer tax exemption with respect to real property acquired by the company authorized to operate in the FTZ, provided the relevant property is directly used as its premises.

However, the tax benefits are subject to an annual cap of: [35]

- 15.1 percent of the annual turnover generated in Madeira;
- 20.1 percent of the annual earnings before interest, tax and amortization generated in Madeira; or
- 30.1 percent of the annual labor costs incurred in Madeira.

There is also an annual cap on how much of an entity's taxable income can benefit from the FTZ's reduced tax rate. The cap varies, in proportion to the number of jobs created, as follows: [36]

- 2.73 million euros for the creation of up to two jobs;
- 3.55 million euros for the creation of three to five jobs;
- 21.87 million euros for the creation of six to 30 jobs;
- 35.54 million euros for the creation of 31 to 50 jobs;
- 54.68 million euros for the creation of 51 to 100 jobs; and
- 205.50 million euros for the creation of more than 100 jobs.

The number of jobs is determined by reference to the number of people who earn income from dependent work, paid or made available by the licensed entity, provided that they reside, for tax purposes, in the Autonomous

---

[34] Tax Benefits Statute, Article 36-A, as inserted by Law No. 64/2015, Article 3 and amended, most recently, by Law No. 73-A/2025, Article 73.

[35] Tax Benefits Statute, Article 36-A, para 3, as inserted by Law No. 64/2015 and amended by Law No. 21/2021.

[36] Tax Benefits Statute, Article 36-A, para 4, as inserted by Law No. 64/2015.

Region of Madeira or, if they are not so resident, carry out their professional activity there or are part of the crew of a ship registered with the Madeira International Ship Registry. [37]

2.6.2. International Finance or Holding Companies

Portugal has no special tax regimes for international holding companies. The standard participation exemption may apply. See Section 2.5.

Special tax regimes apply to a variety of international finance transactions, including a corporate income tax exemption on interest on loans granted by nonresident financial institutions to resident credit institutions. This also applies to the gains from swap operations, carried out with resident credit institutions, provided that the interest or gains are not attributable to the permanent establishment of those institutions located in Portugal. [38]

2.6.3. Research and Development Companies and Activities

An R&D tax credit for expenses on scientific or technical research and development projects incurred during the 2014 to 2025 tax years is available to an industrial, commercial or agricultural company resident in Portugal, or to a nonresident with a permanent establishment in Portugal that is subject to taxation on its income in Portugal.

The R&D tax credit is generally equal to the sum of:

- 32.5 percent of the R&D expenses of the current year; and
- 50 percent of the difference between the R&D expenses of the current year and the average R&D expenses of the two previous years, subject to a maximum limit of 1.5 million euros. [39]

Any unused credit may be carried forward for up to 12 years.

2.6.4. Other Special Regimes

A special tax regime applies to real estate investment and asset management companies (*Sociedades de Investimento e Gestão Imobiliária* or "SIGI"). Investment income, rental income and capital gains obtained by a SIGI are excluded from corporate income tax. Income distributed by a SIGI to resident individuals is subject to a withholding tax rate of 28 percent, while income distributed to resident corporate entities is subject to a withholding tax rate of 25 percent. Nonresident shareholders are subject to a 10 percent withholding tax. [40]
Portugal has numerous special tax regimes for specific business sectors. These are comprehensively listed in the Tax Benefits Statute.

Real estate collective investment schemes for affordable rentals

From June 29, 2024, a partial income tax exemption (ranging from 2.5 percent to 10 percent) and a stamp duty exemption are available in relation to qualifying investments made by eligible collective investment undertakings in housing under the affordable rental program. [41]

2.7. Double Taxation Protection

2.7.1. Mechanics

Portugal offers both a direct and indirect foreign tax credit.

Direct Tax Credit

A resident company receiving foreign-source income is entitled to a direct tax credit equal to the lower of the foreign tax paid, or the corporate income tax due on the income, net of expenses directly or indirectly incurred to obtain the income. [42]

---

[37] Tax Benefits Statute, Article 36-A, para 5, as inserted by Law No. 64/2015 and amended by Law No. 21/2021.
[38] Tax Benefits Statute, Article 30.
[39] Investment Tax Code, Article 38.
[40] Decree-Law no. 19/2019, as amended.
[41] Tax Benefits Statute, Article 24-A, as inserted by Law No. 31/2024, Article 5.
[42] CIRC, Article 91.

Indirect Tax Credit

A resident company receiving dividends or reserves from a foreign company that does not benefit from the participation exemption can claim an indirect foreign tax credit providing they hold (or becomes the holder of) at least 10 percent of the share capital of the foreign company for a period of one year.

This is calculated as the lower of:

- the fraction of the foreign tax paid by the foreign entity distributing the dividends or by entities directly or indirectly held by the latter that is proportional to the profits distributed; and
- the corporate income tax due on the distributed profits, excluding all costs or losses directly or indirectly borne to obtain the income, net of expenses directly or indirectly incurred to obtain the income. [43]

2.7.2. Treaty or Statutory Priority

If an income tax treaty provides a rate of tax higher than the statutory rate on that item of income, then the rate applicable is the domestic rate. If a treaty lowers the rate of tax on an income item, the applicable tax rate is the rate established in the treaty.

For treaty information, including the number of agreements signed or in force, original treaty texts, translations, consolidations and any modifications made by the Multilateral Instrument, if applicable, see the International Tax Treaties Collection.

2.7.3. Source of Interpretation

Portugal generally follows the OECD Model treaty interpretation and other OECD guidelines.

2.8. Returns and Filing Dates

2.8.1. Filing Deadline

Companies are normally required to file an annual corporate income tax return on or before May 31 of each year, reporting profits for the preceding tax year ending December 31. If the tax year does not end on December 31, the return must be submitted within five months following the end of the tax year. [44]

Companies are also required to file an annual accounting and tax (IES) return. This return must, as a rule, be filed by July 15 of the year following that to which the information relates. If the company's tax year does not end on December 31, the return must then, as a rule, be submitted by the 15th day of the seventh month following the end of the tax year. [45]

2.8.2. Filing Method

Electronic filing is mandatory.

2.8.3. Extensions

An extension of the filing deadline is possible if the taxpayer adopts a tax period other than the calendar year. Upon the filing of an application, extensions may be granted by the Minister of Finance.

2.8.4. Penalties

Failure to file corporate income tax returns by the filing deadline results in a late filing penalty of between 150 euros to 3,750 euros. [46]

2.9. Payment Mechanics

2.9.1. Internal Withholding on Resident Companies

A domestic non-final withholding tax applies to the following types of income (subject to exemptions) obtained in Portugal when paid to Portuguese resident corporate entities: [47]

- royalties – 25 percent;

[43] CIRC, Article 91-A.
[44] CIRC, Article 120.
[45] CIRC, Article 121.
[46] General Regime of Tax Infractions, Article 117.
[47] CIRC, Article 94.

- income derived from the use or concession of the use of agricultural, industrial, commercial or scientific equipment – 25 percent;
- capital investment income and rental income – 25 percent;
- remuneration received as a member of a corporate body – 21.5 percent;
- gambling prizes – 25 percent; and
- income from intermediary services and from other services rendered or used in Portugal, other than those concerning transport, communications and financial activities – 25 percent.

There are also specific withholding tax rates that apply to real estate investment and asset management companies (see Section 2.6.4).

2.9.2. Schedule for Tax Payments or Deposits

Tax deposits are required in the seventh, ninth, and twelfth month of the tax year (July, September, and December for calendar year taxpayers). The deposits are installments based on an amount that is 80 or 95 percent of the previous year's reported corporate tax liability. Final payment is made at the time the annual return is filed. [48]

2.9.3. Electronic Payments

In Portugal, all companies must have a local bank account and submit tax returns and payments by electronic means.

2.9.4. Interest and Penalties

If a corporation does not make its estimated tax deposits on time or does not pay any tax due with its income tax return at the time payment is due, then penalties of between 30 and 100 percent of the tax due may be applied providing the failure does not constitute a tax crime. [49] Interest will be charged in addition to any penalties, at statutory rates. [50]

2.10. Statute of Limitations

The right to assess tax generally lapses if the taxpayer is not properly notified of the assessment within four years. [51] The limitations period generally starts to run, for periodic taxes, from the end of the year in which the chargeable event occurred and, for single-incidence taxes, from the date on which the chargeable event occurred. There is an exception for value added tax and income taxes when the tax is imposed by final withholding. In those cases, the period is counted from the end of the year in which the chargeable event occurred, in accordance with the general rule applicable to periodic taxes. In the case of facts connected with tax havens, or deposit or securities accounts opened with non-resident financial institutions in member states of the European Union, or in branches located outside the European Union of resident financial institutions, the limitations period is 12 years. [52]

3. Corporate Tax Rates

3.1. National Taxes–

3.1.1. Corporate Tax Rate

Current rate: 19 percent (20 percent before January 1, 2026).

The standard corporate income tax rate on the mainland is 19 percent (20 percent before January 1, 2026). [53] Lower rates apply in Madeira and the Azores.

For nonresident companies without a permanent establishment in Portugal, the corporate tax rate is 25 percent (35 percent for (i) gambling income, (ii) capital income paid into an account opened in the name of one or more

[48] CIRC, Articles 104 and 105.

[49] General Regime of Tax Infractions, Article 114.

[50] General Tax Law, Article 44.

[51] General Tax Law, Article 45(1).

[52] General Tax Law, Article 45(7).

[53] CIRC, Article 87(1), as amended, most recently, by Law No. 64/2025, Articles 2, 3.

account holders on behalf of unidentified third parties, and the beneficial owner is not disclosed, or (iii) capital income paid to a company resident in a tax haven. [54]

Companies with their headquarters or effective management in Portugal that do not carry out, mainly, commercial, industrial or agricultural activities ("non-commercial companies") are subject to a corporate income tax rate of 19 percent (20 percent before January 1, 2026). [55]

Planning Point: Progressive reduction in corporate income tax rate to 17 percent by 2028. Law No. 64/2025 provides for the following further reductions to the standard corporate tax rate on the mainland: 18 percent for tax periods starting in 2027; and 17 percent for tax periods starting on or after January 1, 2028. This progressive reduction also applies to the rate applicable to non-commercial companies.

State surcharge – A state surcharge (*derrama estadual*) of 3 percent is applicable to taxable profits over 1,500,000 euros, but not exceeding 7,500,000 euros; a 5 percent surcharge applies to taxable profits over 7,500,000 euros, but not exceeding 35,000,000 euros; and a 9 percent surcharge applies to taxable profits above 35,000,000 euros. [56]

Regional Surcharge –A regional surcharge (*derrama regional*) applies in Madeira and the Azores.

Municipal surcharge – Taxpayers are also subject to a local municipal tax (*derrama municipal*). Each municipality sets its own level of tax, but this must not be more than 1.5 percent of taxable income before the deduction of any carried forward tax losses.

See Section 3.1.3 for the rates that apply to certain SMEs.

3.1.2. Alternative Tax Regime

There is no alternative tax regime.

3.1.3. Special Reduced Rates or Regimes

Simplified corporate income tax regime

The corporate income tax code provides an optional simplified corporate income tax regime for resident companies subject to, and not exempt from, corporate income tax that are engaged in a commercial, agricultural or industrial activity. [57]

To qualify for this regime, the following requirements must be met:

- in the previous tax year, the company's gross income did not exceed 200,000 euros of turnover and its balance sheet total did not exceed 500,000 euros;
- the company's accounts are not required to be audited;
- the company is not more than 20 percent held, directly or indirectly, by a company that does not comply with the above-mentioned conditions (except in the case of a venture capital company or venture capital investor);
- the company adopts the accounting principles applied to micro entities; and
- the company has not waived the application of the regime in the previous three years.

If the above requirements are met, the taxable income of such a resident company is determined by applying one of several coefficients ranging from 0.04 to 1.00 depending on the activity concerned.

From January 1, 2023, certain crypto currency activities are included within the scope of the simplified corporate income tax regime. A coefficient of 0.15 applies to income derived from crypto assets that is neither considered as capital income, nor results from the positive balance of capital gains and losses and other asset increases. In the case of income arising from the mining of crypto assets, a coefficient of 0.95 applies.

---

[54] CIRC, Article 87(4).

[55] CIRC, Article 87(5), as amended, most recently, by Law No. 64/2025, Articles 2, 3.

[56] CIRC, Article 87-A(1).

[57] CIRC, Articles 86-A, 86-B, as amended by Law No. 24-D/2022, Article 227.

The simplified regime ceases to apply as soon as the requirements for its application are no longer met or the company chooses to opt out of the regime, and, when the company does not comply with the invoicing obligations laid down in the VAT Code.

Reduced rate for SMEs

The corporate income tax rate applicable to certain resident entities and permanent establishments of nonresident entities, certified as SMEs, is 15 percent (16 percent before January 1, 2026) for the first 50,000 euros of taxable income. [58] Taxable income that exceeds this threshold is taxed at the standard rate (see Section 3.1.1). Additionally, the reduced rate applies in the two financial years following a merger, demerger, transfer of assets or exchange of shares carried out from January 1, 2023 through December 31, 2026, where all the participants initially qualified as a small, medium-sized or small/mid cap company, but, due to the operation, the beneficiary company no longer meets the conditions for this qualification. [59]

Different reduced rates apply to small and medium-sized companies in Madeira and the Azores.

Reduced rate for micro enterprises and SMEs in the interior territories

Micro enterprises and SMEs whose main business is of an agricultural, commercial or industrial nature, or the provision of services, in Portugal's "Interior Territories" (as specified by statute) benefit from a reduced corporate income tax rate of 12.5 percent on the first 50,000 euros of taxable income. [60] Subject to various conditions, such companies are allowed to deduct 120 percent of the costs corresponding to the net increase in the number of workers directly employed by them, based on the difference between the monthly averages for the year in question and the previous year.

Different reduced rates apply in Madeira and the Azores.

Reduced rate for qualifying start-up companies

From January 1, 2024, qualifying start-up companies can benefit from a reduced CIT rate of 12.5 percent on the first 50,000 euros of taxable income. [61] Taxable income exceeding this threshold is taxed at the standard rate (see Section 3.1.1).

For these purposes, the incentive applies to innovative companies with high growth potential or carrying on qualifying R&D activities, subject to financing and funding requirements.

A reduced rate for start-ups also applies in Madeira.

3.1.4. Special Additional Taxes or Levies

There are no special additional taxes or levies.

3.2. State, Cantonal, Provincial or Other Local Taxes

3.2.1. Main Rates

For the local municipal tax, see Section 3.1.1.

3.2.2. Reduced Rates

For the local municipal tax, see Section 3.1.1.

3.2.3. Income Tax Base

For the local municipal tax, see Section 3.1.1.

3.2.4. Income Tax Deductions

For the local municipal tax, see Section 3.1.1.

3.2.5. Incentives

For the local municipal tax, see Section 3.1.1.

[58] CIRC, Article 87(2), as amended, most recently, by Law No. 64/2025, Articles 2, 3.
[59] Law No. 24-D/2022, Article 229.
[60] Tax Benefits Code, Article 41-B, as amended by Law No. 24-D/2022, Article 250.
[61] CIRC, Article 87(2), (8), as amended by Law No. 82/2023, Article 237.

3.2.6. Non-Income Taxes in States

There are no state non-income taxes in Portugal.

3.3. Taxes Imposed as a Penalty

There are no taxes imposed as a penalty.

4. Corporate Tax Capital Gains, Losses, Group Treatment

4.1. Taxation of Corporate Capital Gains

Corporate capital gains and losses are treated as regular income in Portugal, but with specific computational rules. Capital gains are subject to the standard rate of corporate income tax unless an exemption or reduction applies.

A participation exemption applies to exempt capital gains arising on the disposal of shares of subsidiaries. This is subject to similar requirements as the participation exemption for dividends from subsidiaries. [62] See Section 2.5.

Reinvestment relief applies where the proceeds on disposal of tangible fixed assets, intangible fixed assets, and bearer biological assets held for a minimum period of one year are reinvested in similar assets in the tax year before the tax year of the transfer, in the tax year of the transfer or in the two following tax years. Where this applies only 50 percent of the capital gain (after reducing any capital loss) is subject to tax. [63]

4.2. Definition of Corporate Capital Gains

Capital gains and losses are generally gains and losses realized on disposal of tangible fixed assets, intangible assets, non-consumable biological assets, investment property, and financial instruments, except those recognized at fair value. [64]

4.3. Computation

Taxable capital gains are calculated as the excess of the transfer value (net of transfer expenses) over the acquisition value of the asset transferred, less impairment losses and accumulated depreciation that is deductible for tax purposes). [65]

4.4. Corporate Combinations and Divisions

4.4.1. Mergers

In general, capital gains arising on a corporate merger are subject to corporate income tax unless the corporate reorganization is carried out under the special tax neutrality regime provided for in Articles 73 to 78 of the CIRC (the "Tax Neutrality Regime").

The Tax Neutrality Regime is based on the EU Merger Directive and applies to mergers, spin-offs, transfers of assets and exchanges of shares. Where the requirements are met, there would be no direct tax consequences of the merger.

4.4.2. Transfers of Corporate Property

In general, capital gains arising on a transfer of corporate property are subject to corporate income tax unless the corporate reorganization, is carried out under the special tax neutrality regime provided for in Articles 73 to 78 of the CIRC (the "Tax Neutrality Regime").

The Tax Neutrality Regime is based on the EU Merger Directive and applies to mergers, spin-offs, transfers of assets and exchanges of shares. Where the requirements are met, there would be no direct tax consequences of the transfer of corporate property.

4.4.3. Share Transfers

In general, capital gains arising from share exchanges are subject to corporate income tax unless the corporate reorganization, is carried out under the special tax neutrality regime provided for in Articles 73 to 78 of the CIRC (the "Tax Neutrality Regime").

---

[62] CIRC, Article 51-C.

[63] CIRC, Article 48.

[64] CIRC, Article 46(1).

[65] CIRC, Article 46(2).

The Tax Neutrality Regime is based on the EU Merger Directive and applies to mergers, spin-offs, transfers of assets and exchanges of shares, under specific requirements.

In the case of a share exchange, the capital gains attributed to non-cash consideration arising on the shareholders are not subject to tax provided the shareholders do not attribute to the securities received in the acquiring company a tax value higher than that of the securities exchanged and the acquired and acquiring company are resident in Portugal or in another EU Member State. [66]

4.4.4. Divisions or Separations

In general, capital gains arising from a corporate division are subject to corporate income tax unless the corporate reorganization, is carried out under the special tax neutrality regime provided for in Articles 73 to 78 of the CIRC (the "Tax Neutrality Regime").

The Tax Neutrality Regime is based on the EU Merger Directive and applies to mergers, spin-offs, transfers of assets and exchanges of shares. Where the requirements are met, there would be no direct tax consequences of the division.

4.5. Position of Losses from Business Operations

4.5.1. Definition

An operating loss includes a capital loss.

4.5.2. Treatment

From January 1, 2023, tax losses may be carried forward indefinitely against taxable income of one or more subsequent fiscal years. This also applies to tax losses generated in previous tax years but available for deduction in tax year 2023. The deduction is limited to 65 percent of the taxable profit assessed in the relevant fiscal year. [67] Previously, losses could generally be carried forward for the following five years, capped at 70 percent of taxable profits in the relevant fiscal year.

Tax losses incurred in 2020 or 2021 can be carried forward for 12 years and offset against up to 80 percent of taxable profits. [68]

Companies which have deducted tax losses relating to a permanent establishment located outside Portugal in the previous 12 years may not exclude from CIT the taxable profits of the permanent establishment up to the amount of such losses.

Portugal does not permit operating losses to be carried back to prior years.

4.5.3. Losses After Change in Ownership

It is not possible to carry forward losses when at the end of the tax period in which the loss is to be offset there has been a change in the ownership of more than 50 percent of the share capital or the majority of the voting rights (subject to certain exceptions). [69]

4.6. Group Treatment

4.6.1. General Rule

Under the Portuguese tax consolidation regime for groups of companies, the parent company has the option to assess a joint tax base for all the companies in the group, based on the sum of the taxable profits and tax losses assessed by each company in the group in their individual corporate income tax returns. [70]

Intra-group dividends, interests and royalties are not subject to withholding tax.

4.6.2. Definition of Group

To qualify for the group consolidation regime, the companies concerned must fulfill the following requirements:

- the holding company must own, directly or indirectly, 75 percent or more of the subsidiaries' share capital and more than 50 percent of the voting rights;

---

[66] CIRC, Article 77.

[67] CIRC, Article 52, as amended by Law No. 24-D/2022, Article 227.

[68] Law No. 27-A/2020, Article 11.

[69] CIRC, Article 52(8).

[70] CIRC, Article 69.

- the head office and place of effective management of all the companies must be in Portugal;
- the profits of all the companies must be subject to the standard corporate income tax regime and the standard rate of corporate income tax;
- the holding company must hold a participation in the subsidiaries for more than one year before the year in which the regime commences to apply, subject to certain exceptions for newly incorporated companies and reorganizations;
- the holding company must not be 75 percent or more held, directly or indirectly, by another Portuguese company that holds more than 50 percent of its voting rights; and
- the holding company cannot have waived the application of the tax grouping regime in the previous three years. [71]

4.6.3. Special Aspects

There are no other relevant special aspects.

5. Corporate Withholding Taxes on Nonresident Corporations

5.1. Dividends

Dividends paid to nonresident companies are subject to a final withholding tax at a rate of 25 percent, [72] subject to any reduction under a relevant tax treaty, or if the participation exemption applies. See Section 2.5.

A 35 percent withholding tax rate applies where income is paid or made available to an account opened in the name of one or more account holders, on behalf of unidentified third parties, and the beneficial owner is not disclosed, or when the beneficiary is domiciled in a tax haven. [73]

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments to nonresidents, but not to payments subject to the 35 percent withholding tax rate.

Planning Point: Directive FASTER and future withholding tax procedures

Directive (EU) 2023/0187 (FASTER), adopted December 10, 2024, will fundamentally change how withholding tax relief is obtained within the EU for dividends and interest on publicly traded securities.

FASTER introduces three core elements: (i) an EU digital tax residence certificate (eTRC); (ii) mandatory relief at source and/or quick refund systems; and (iii) harmonized reporting and due-diligence obligations for intermediaries.

Although Member States have until December 31, 2028 to transpose the directive, and the rules will apply only *from January 1, 2030, companies should begin preparing now for the operational and compliance impact.*

5.2. Interest

Interest paid by a Portuguese resident to a nonresident is subject to a final withholding tax at a rate of at 25 percent, subject to the terms of any relevant tax treaty. [74]

A 35 percent withholding tax rate applies where income is paid or made available to an account opened in the name of one or more account holders, on behalf of unidentified third parties, and the beneficial owner is not disclosed, or when the beneficiary is domiciled in a tax haven. [75]

Interest paid by a Portuguese company or a Portuguese permanent establishment (PE) of a company resident in another EU Member State to an associated company or PE, resident in another EU Member State or a PE in the European Union is not subject to tax, providing the conditions of the EU Interest and Royalties Directive (Directive 2003/49/EC of June 3, 2003) apply. [76]

---

[71] CIRC, Article 69.
[72] CIRC, Articles 94 and 87(4).
[73] CIRC, Article 87(4)(h) and (i).
[74] CIRC, Articles 94(1)(c).
[75] CIRC, Article 87(4)(h) and (i).
[76] CIRC, Article 14(12) and (13).

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments to nonresidents, but not to payments subject to the 35 percent withholding tax rate.

5.3. Royalties

Royalties paid by a Portuguese resident to a nonresident is subject to a final withholding tax at a rate of at 25 percent, subject to the terms of any relevant tax treaty. [77]

A 35 percent withholding tax rate applies where income is paid or made available to an account opened in the name of one or more account holders, on behalf of unidentified third parties, and the beneficial owner is not disclosed, or when the beneficiary is domiciled in a tax haven. [78]

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments to nonresidents, but not to payments subject to the 35 percent withholding tax rate.

Royalties paid by a Portuguese company or a Portuguese permanent establishment (PE) of a company resident in another EU Member State to an associated company or PE, resident in another EU Member State or a PE in the European Union is not subject to tax, providing the conditions of the EU Interest and Royalties Directive (Directive 2003/49/EC of June 3, 2003) apply. [79]

5.4. Services

Services provided by a nonresident to a Portuguese resident (except for transport, communications and financial activities) are generally subject to a 25 percent final withholding tax, unless reduced under the terms of a relevant double tax treaty. [80]

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments to nonresidents, but not to payments subject to the 35 percent withholding tax rate.

5.5. Other Withholding Taxes

Rental payments paid by a Portuguese resident to a nonresident are subject to a withholding tax at a rate of at 25 percent, subject to the terms of any relevant tax treaty. [81]

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments to nonresidents, but not to payments subject to the 35 percent withholding tax rate.

5.6. Special Tax Havens Rates

A 35 percent withholding tax rate applies where income is paid to a beneficiary who is domiciled in a tax haven. [82]

For further withholding tax information, see the Bloomberg Tax Withholding Tax Chart Builder.

6. Personal Taxes

6.1. Domicile and Residency Requirements

An individual is a tax resident in Portugal if they:

- have a physical presence in Portuguese territory for more than 183 days in any 12-month period starting or ending in the calendar year concerned;
- visit Portugal for less than 183 days during such a period, but at any time during that period have a dwelling in Portugal in such circumstances as to suggest an intention to keep and occupy it as their permanent residence;
- are, on December 31, a crew member of a ship or aircraft operated by a resident legal entity; or
- exercise a public function or commission abroad in the service of the Portuguese government. [83]

[77] CIRC, Articles 94(1)(a) and (b).
[78] CIRC, Article 87(4)(h) and (i).
[79] CIRC, Article 14(12) and (13).
[80] CIRC, Article 94(1)(g).
[81] CIRC, Articles 94(1)(c).
[82] CIRC, Article 87(4)(i).
[83] CIRS (*Código do Imposto sobre o Rendimento das Pessoas Singulares*), Article 16(1).

6.2. Income Tax Base

6.2.1. Tax Base for Residents

Portuguese tax residents are subject to personal income tax on their worldwide income. [84]

6.2.2. Tax Base for Nonresidents

Nonresident individuals are subject to Portuguese personal income tax only on income derived from Portuguese sources. [85]

6.2.3. Personal Income Subject to Income Tax

Taxable income is divided into the following six categories:

- A: Employment income;
- B: Business and professional income;
- E: Investment income;
- F: Real property income;
- G: Net worth increases (including capital gains); and
- H: Pensions. [86]

Certain income is specifically non-taxable in Portugal. This includes:

- net worth increases derived from gratuitous transfers subject to stamp tax; [87]
- 10 percent of pensions income derived by disabled taxpayers, up to a limit of 2,500 euros; [88]
- 15 percent of employment income, business and professional income derived by disabled taxpayers, up to a limit of 2,500 euros, for each type of income. [89]

Tax exemption for young workers

Category A and B income earned by a worker up to 35 years of age, and not considered a financial dependent, is partially exempt from income tax for the first ten years of income generation, as follows: [90]

- first year exemption – 100 percent, capped at 55 times the value of the Social Support Index ("SSI value");
- second to fourth year exemption – 75 percent, capped at 55 times the SSI value;
- fifth year to seventh year exemption – 50 percent, capped at 55 times the SSI value; and
- eighth to tenth year exemption – 25 percent, capped at 55 times the SSI value.

6.2.4. Deductions and Allowances

Employment Income

Allowable deductions and allowances for employment income include the following:

- a 4,587 euros allowance from employment income;
- indemnities paid by an employee to their employer for the unilateral termination of employment in certain circumstances;
- an additional 100 percent deduction for union dues, providing they do not constitute consideration for health benefits, education, support for the elderly, housing, insurance or social security, and that they do not exceed, for each taxpayer, 1 percent of the gross employment income; and

[84] CIRS, Article 15(1).
[85] CIRS, Article 15(2).
[86] CIRS, Article 1(1).
[87] CIRS, Article 12(6).
[88] CIRS, Article 56-A(1)(b).
[89] CIRS, Article 56-A(1)(a).
[90] CIRS, Article 12-B, as inserted by Law No. 12/2022, Article 279 and amended by Law No. 45-A/2024, Article 89.

- a 50 percent income tax exemption on qualifying gains from stock options, subscriptions, or other plans with equivalent effect, created for certain employees by eligible start-ups carrying out innovative activities. [91]

Business Income

A tax deduction is permitted for costs related to business and professional activities developed by the taxpayer. [92]

Real Property Income

A tax deduction is permitted for all expenses actually incurred and paid by the taxable person to obtain or guarantee the income, except for expenses relating to financial costs, depreciation, furniture, appliances, decoration or comfort accessories and the additional municipal property tax. [93]

Capital Gains

50 percent of the capital gain arising from the following disposals are exempt for tax purposes:

- the sale of real property, (except for certain disposals that benefited from State subsidies);
- the sale of IP or industrial property or know-how where the gains are derived by a person other than the original author or owner;
- the assignment of a position in a contract regarding real property; and
- the sale of shareholdings and other securities in unlisted micro and small companies. [94]

General

Several deductions are available from the gross tax payable. These include:

- Personal and family allowances;
- Family expenses;
- Health expenses;
- Educational and professional expenses;
- Alimony payments;
- Retirement home expenses; and
- Expenses in connection with disabled individuals.

Former Residents

Qualifying former tax residents returning to Portugal can benefit from a 50 percent income tax exemption (capped at 250,000 euros), over a five-year period, on employment, business and professional income on condition certain requirements are met. These include that the individual was not resident in Portugal in any of the five years before the return date, and that they become tax resident again by 2026. [95]

6.3. Main Rates and Bands

6.3.1. Individual Tax Rates

The Portuguese personal income tax (*Imposto sobre as pessoas singulares*, known as IRS) is a progressive tax, with a top band of 48 percent.

The taxable income under IRS is income resulting from the aggregate income of different categories derived each year, after deductions applying to each income category are made.

[91] CIRS, Article 25, as amended, most recently, by Law No. 45-A/2024, Article 89; Tax Benefits Law, Article 43-C, as amended, most recently, by Law No. 82/2023, Article 262.
[92] CIRS, Article 29(1).
[93] CIRS, Article 41(1).
[94] CIRS, Article 43(2) and (3).
[95] CIRS, Article 12A, as amended by Law No. 82/2023, Article 230.

For 2026, generally, the personal tax rates on taxable income for mainland Portugal are as follows:

- up to 8,342 euros – 12.5 percent;
- over 8,342 euros but not more than 12,587 euros – 15.7 percent;
- over 12,587 euros but not more than 17,838 euros – 21.2 percent;
- over 17,838 euros but not more than 23,089 euros – 24.1 percent;
- over 23,089 euros but not more than 29,397 euros – 31.1 percent;
- over 29,397 euros but not more than 43,090 euros – 34.9 percent;
- over 43,090 euros but not more than 46,566 euros – 43.1 percent;
- over 46,566 euros but not more than 86,634 euros – 44.6 percent; and
- over 86,634 euros – 48 percent. [96]

In tax year 2025, the rates and bands of national personal income tax were as follows:

- up to 8,059 euros – 12.5 percent;
- over 8,059 euros but not more than 12,160 euros – 16 percent;
- over 12,160 euros but not more than 17,233 euros – 21.5 percent;
- over 17,233 euros but not more than 22,306 euros – 24.4 percent;
- over 22,306 euros but not more than 28,400 euros – 31.4 percent;
- over 28,400 euros but not more than 41,629 euros – 34.9 percent;
- over 41,629 euros but not more than 44,987 euros – 43.1 percent;
- over 44,987 euros but not more than 83,696 euros – 44.6 percent; and
- over 83,696 euros – 48 percent. [97]

According to Portuguese law, nonresidents are subject to withholding taxes. This means that tax is deducted at the time that the income is paid to the foreigner by the payer in the country that is the source of the income.

Solidarity Surcharge

An additional solidarity rate applies at the following rates:

- 2.5 percent on income above 80,000 euros, but not exceeding 250,000 euros; and
- 5 percent on income above 250,000 euros. [98]

Nonresidents

Nonresident individuals are generally subject to withholding tax on Portuguese source income at either 25 percent or 28 percent. Capital gains on the disposal of immovable property are generally subject to the same rules as resident taxpayers (see Section 6.2.4). [99] Exemption may apply to qualifying capital gains on the disposal of certain types of movable property, including of shares in Portuguese companies, under Article 27 of the Tax Benefits Law.

A withholding tax rate of 35 percent is applicable to income paid, or made available, to residents in Portugal, by nonresident entities without a permanent establishment in Portuguese territory that are domiciled in a country subject to a clearly more favorable tax regime and included in the Portuguese blacklist (tax havens) law. [100]

[96] CIRS, Article 68, as amended by Law No 73-A/2025, Article 71.
[97] CIRS, Article 68, as amended by Law No 55-A/2025, Article 2.
[98] CIRS, Article 68-A.
[99] CIRS, Article 22(3)(a), as amended by Law No. 24-D/2022, Article 218.
[100] CIRS, Article 71(17).

Crypto-assets

A "crypto-asset", including cryptocurrency, is defined as any digital representation of value or rights that may be stored electronically, using distributed ledger or similar technology (excluding non-fungible tokens and other unique assets). [101] With effect from tax year 2023, gains on the sale of cryptocurrency are taxable to individuals at a rate of 28 percent upon conversion to fiat, but the gains are tax-exempt if the cryptocurrency has been held for at least one year. Alternatively, taxpayers can opt to tax gains at the standard progressive rates (see Section 6.3.1). In such a case, losses incurred can be carried forward for five years. Tax on exchanges or swaps of cryptocurrency is deferred.

For taxpayers in the simplified tax regime, income from commercial or professional cryptocurrency operations is taxed as business income, determined by applying the coefficient of 0.15 to gross income (0.95 in the case of mining of crypto assets). [102] Such income is taxable at the progressive rates.

Capital gains from the sale of shares

A tax rate of 28 percent applies to capital gains received by resident individuals from the sale of shares and other securities. [103] Alternatively, a resident taxpayer can also elect for the net gains to be aggregated with the taxpayer's remaining income, in which case the gains will be taxable at the progressive income tax rates (see above). From January 1, 2023, the latter option is compulsory if (i) the assets were held for less than 365 days, and (ii) the taxpayer has taxable income (including the relevant capital gains) that is at least equal to the starting figure for the highest progressive rate.

Capital gains on the disposal of securities admitted to trading, or of shares in open collective investment undertakings, in contractual or corporate form, can benefit from partial PIT exemption based on the period held. For periods over two years but less than five years, 10 percent of the income is excluded; from five years but less than eight years, 20 percent is excluded; and from eight years, a 30 percent exclusion applies. [104]

Non-Habitual Residents (NHRs)

The NHR scheme was abolished from January 1, 2024. [105]

Generally, the scheme applied to qualifying individuals who became resident in Portugal for PIT purposes, and offered a 20 percent flat-rate income tax over a 10-year period for employment, business and professional income derived from high value-added activities of a scientific, artistic or technical nature. The general progressive PIT rates, plus the solidarity charge, applied for all other Portuguese-sourced income.

Transitional provisions apply until the end of an individual's 10-year eligibility period if they:

- were already registered as an NHR;
- met the conditions to qualify as tax resident in Portugal on December 31, 2023; or
- became tax resident by December 31, 2024, subject to meeting declaration conditions.

Transitional rules also apply to family members of qualifying NHRs.

Incentive for new residents in the scientific research and innovation sector

From January 1, 2024, qualifying individuals who become tax resident in Portugal, and who carry out activities in the scientific research and innovation sector, can benefit from a 20 percent flat-rate income tax, over a 10-year period, on Category A and B income earned from such activities. They can also benefit from tax exemption on Category A, B, E, F and G income earned abroad (except in the case of offshore jurisdictions).

[101] CIRS, Article 10(17), (18), as amended by Law No. 24-D/2022, Article 218.
[102] CIRS, Article 31, as amended by Law No. 24-D/2022, Article 218.
[103] CIRS, Article 71(1).
[104] CIRS, Article 43(5), as amended by Law No. 31/2024, Article 2.
[105] CIRS, Article 16(8)–(12); Law No. 82/2023 (2024 Budget Law), Article 236.

For these purposes, activities include higher education teaching, scientific research and development, employment in the sector, and board membership. [106]

The incentive is not available to taxpayers who benefit, or have benefited, from the NHR scheme (see above) or who have opted for taxation under the former resident's regime (see Section 6.2.4).

6.3.2. Individual Returns, Filing Dates, and Payment

Portugal requires that individuals file annual income tax returns unless, in the year to which the tax relates, they have only received income in the following categories:

- income taxed at the rates set out in the final flat rates article;
- pensions paid by statutory schemes of social protection, less than 8,500 euros; and
- employment income that is less than 8,500 euros.

The return, which reports income of the preceding tax year ending December 31, must normally be filed from April 1 through June 30 of the year following the one the income relates to. [107] An extension to December 31 may be possible where the taxpayer has foreign source income. [108]

Joint returns between husbands and wives are permitted, including taxable income of the household. [109] A "household" consists of: (i) spouses not legally separated and their dependents; (ii) each of the spouses or former spouses, respectively, in cases of legal separations or declaration of nullity, annulment, or dissolution of marriage, and those dependents in their care; (iii) unmarried fathers or mothers and those dependents in their care; and (iv) unmarried adoptive parents and those dependents in their care.

Electronic filing is mandatory.

Portugal employs a pay-as-you-earn system for most taxpayers, with any final adjustments made at the time the annual return is filed.

Disclosure requirement for assets in tax-advantaged jurisdictions

Commencing with income declarations for the 2024 tax year, taxpayers must report on their income tax return the holding of certain assets owned in a jurisdiction that Portugal designates as a clearly more favorable tax regime. [110] This requirement to disclose includes bank accounts, shareholdings, financial instruments, real estate and other financial or tangible assets. The obligation applies regardless of whether these assets generate any income during the tax year in question.

6.4. Dividends

6.4.1. Domestic Corporations

Dividends paid by domestic corporations to resident and (subject to any relevant tax treaty) nonresident individuals are subject to a 28 percent withholding tax. Generally, the tax withheld is final; however, resident individuals can opt for the tax withheld to be treated as an income tax payment on account on condition the payment received is obtained outside the scope of the exercise of business and professional activities. [111]

A final 35 percent withholding tax rate applies where dividends are paid or made available to an account opened in the name of one or more account holders, on behalf of unidentified third parties, and the beneficial owner is not disclosed, or when the beneficiary is domiciled in a tax haven. [112]

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments made to resident and nonresident individuals in relation to capital investments, but not to payments subject to the 35 percent withholding tax rate.

[106] Tax Benefits Law, Article 58-A as inserted by Law No. 82/2023, Article 263; CIRS, Article 81(4) and (5).
[107] CIRS, Article 60(1).
[108] CIRS, Article 60(3).
[109] CIRS, Article 59(2).
[110] CIRS, Article 57, as amended, most recently, by Decree Law No. 13/2025, Article 2.
[111] CIRS, Article 71(1) and (8)-(10).
[112] CIRS, Article 71(17)(a) and (c).

6.4.2. Foreign Corporations

Portuguese individuals are taxed on receipt of dividends from a foreign corporation. Subject to any applicable treaty, dividend income is generally included in taxable income and subject to income tax under the normal rules (see Section 6.3.1).

Dividends paid or made available to residents in Portugal by a nonresident entity that does not have a PE in Portugal, but which is domiciled in a country or territory listed as a tax haven, are subject to a 35 percent withholding tax if the payment is made through a Portuguese paying entity. [113]

6.5. Interest

6.5.1. Domestic Borrowers

Interest paid by domestic borrowers to resident and (subject to any relevant tax treaty) nonresident individuals is subject to a 28 percent withholding tax. Generally, the tax withheld is final; however, resident individuals can opt for the tax withheld to be treated as an income tax payment on account on condition the payment received is obtained outside the scope of the exercise of business and professional activities. [114]

A final 35 percent withholding tax rate applies where interest is paid or made available to an account opened in the name of one or more account holders, on behalf of unidentified third parties, and the beneficial owner is not disclosed, or when the beneficiary is domiciled in a tax haven. [115]

From January 1, 2025, in Madeira, a reduced withholding tax rate applies for most payments made to resident and nonresident individuals in relation to capital investments, but not to payments subject to the 35 percent withholding tax rate.

6.5.2. Foreign Borrowers

Subject to any applicable treaty, interest received by Portuguese individuals from foreign borrowers is generally included in taxable income and subject to income tax under the normal rules (see Section 6.3.1).

Interest paid to residents in Portugal by a nonresident entity that does not have a PE in Portugal, but which is domiciled in a country or territory listed as a tax haven, is subject to a 35 percent withholding tax if the payment is made through a Portuguese paying entity. [116]

6.6. Social Security/National Insurance Payments

6.6.1. Employer Tax or Contribution

The rate of social security contributions payable in Portugal by employers is 23.75 percent (normal rate).

6.6.2. Employee Tax or Contribution

The Portuguese social security contribution rate is 11 percent for employees.

6.6.3. Employee Tax Collection Mechanism

In Portugal, the employee's social security contribution is collected from their wages. Employees cannot pay the taxes directly and there is no way for them to opt out of the national system.

6.7. Royalties and Rents

6.7.1. Domestic Licensors

Royalties

Income from copyrights, related rights or industrial property, or from provision of information concerning experience acquired in the industrial, commercial or scientific sector, is subject to a 16.5 percent withholding tax provided the taxpayer is the author or original holder. [117]

Rental Income

Rental income received by Portuguese taxpayers from non-residential leases is subject to income tax at a 28 percent rate. [118]

---

[113] CIRS, Article 71(17)(b).
[114] CIRS, Article 71(1) and (8)-(10).
[115] CIRS, Article 71(17)(a) and (c).
[116] CIRS, Article 71(17).
[117] CIRS, Article 101(1)(a).
[118] CIRS, Article 72(1).

Rental income derived from residential property is subject to income tax at 25 percent. However, this rate may be progressively reduced according to the length of the lease agreement, as follows:

- for five years or more, but less than 10 years – 15 percent (i.e., a 10 percentage point reduction), with a further 2 percentage point reduction for each lease renewal of the same period, up to a maximum 10 percentage points for the total number of lease renewals;
- for 10 years or more, but less than 20 years – 10 percent (i.e., a 15 percentage point reduction); and
- for 20 years of more – 5 percent (i.e., a 20 percentage point reduction). [119]

6.7.2. Foreign Licensors

Royalty payments made to a nonresident are subject to a 25 percent final withholding tax, [120] unless the rate is reduced under a tax treaty. Under the EU interest and royalty directive, payments made to qualified EU recipients are exempt.

Rental income paid to a nonresident individual is subject to a 28 percent withholding tax. [121]

7. Transfer Pricing Policies

7.1. Application

Transfer pricing rules apply to transactions between related entities. Portugal applies the arm's length principle. Related-party transactions are subject to the transfer pricing rules whether they are entirely domestic or involve foreign entities. [122]

7.2. Permissible Pricing Methods

Portuguese transfer pricing rules allow the use of the most appropriate method for the operation from the following options: (i) comparable uncontrolled price method; (ii) resale price method; (iii) cost plus method; (iv) transactional net margin method; and (v) profit split methods, including residual profit split. [123]

Where the above methods cannot be applied or are deemed inaccurate due to the specifics of the transaction under analysis or the unavailability of comparable information on similar transactions between independent entities, other generally accepted economic evaluation methods may be used, especially if the transaction under analysis involves property rights regarding real estate, shares in unlisted companies, credits or intangibles. [124]

Corrections or adjustments to taxable profits are based on: (i) the potential special relationship between the taxpayers; (ii) the establishment of different conditions from those usually agreed upon between independent entities; and (iii) ascertainment of accounting records, namely, profits and losses (P&L).

7.3. Penalties for Improper Pricing

Penalties are applied for the submission of incorrect information in Portugal.

7.4. Advance Rulings or Pricing Agreements

Advance rulings (including advance pricing agreements) are available. The tax authority will negotiate bilateral and multi-lateral agreements with other taxing authorities. It is possible to have advance pricing agreements between taxpayers and the Portuguese Tax Administration.

Portugal has enacted Law No. 98/2017 to implement the provisions of Directive 2015/2376/EU (DAC3) (amending Directive 2011/16/EU (DAC)) on the automatic exchange of advance cross-border tax rulings and advance pricing arrangements within the EU. Portugal exchanges information automatically on advance cross-border tax rulings and advance pricing agreements in conformity with this EU Directive.

[119] CIRS, Article 72(2)-(5) (as amended by Law No. 82/2023, Article 230) and 101(1)(e).
[120] CIRS, Article 71(4).
[121] CIRS, Article 72(1).
[122] CIRC, Article 63(1).
[123] CIRC, Article 63(3)(a).
[124] Ordinance No. 268/2021, of November 26, Article 6(1)(b).

7.5. Documentation

Transfer Pricing Disclosure

In the annual accounting and tax (IES) declaration (for which, see Section 2.8.1), corporate taxpayers are required to disclose the existence of any transactions with related entities, and to provide the following information in relation to such transactions:

- the identity of the related entities;
- the value and nature of the transactions with each related entity;
- the transfer pricing methods used and any changes to them;
- the value of adjustments made because of non-compliance with the arm's length principle; and
- a statement that the taxpayer has prepared, and retained, contemporaneous transfer pricing documentation. [125]

Transfer Pricing Documentation — Master File, Local File and Simplified Documentation

For tax periods beginning from January 1, 2021, the transfer pricing documentation requirements are governed by Article 17 of Ordinance No. 268/2021, of November 26.

The Ordinance requires taxpayers with total annual income of at least 10 million euros to submit a Master File and a Local File whose requirements (set out in Annex 1) are broadly aligned with those in Action 13 of the OECD/G20 BEPS Project. Controlled transactions whose market value in the period does not exceed 100,000 euros per transaction, and 500,000 euros in total, are exempt from reporting. Neither the income threshold nor the transactional thresholds are applicable where the related entity is resident in a jurisdiction with a clearly more favorable tax regime, as defined in Article 63-D of the General Tax Law.

Documentation must normally be prepared by the deadline for filing the annual IES declaration (see Section 2.8.1 and submitted upon request. In the case of taxpayers under the supervision of the Large Taxpayers Unit, the documentation must not only be prepared but also submitted by that date. [126]

Article 19 of the Ordinance sets out simplified documentation requirements for taxpayers qualified as SMEs (under Decree Law No. 372/2007) and not covered by the exemptions noted above. In general, the simplified documentation includes the following elements: (i) identification of entities involved in the controlled transactions; (ii) description of the type, characteristics and value of the controlled transactions; (iii) identification of the method used to assess transfer prices; and (iv) the comparables selected and the range of values resulting from the application of the transfer pricing method. Like the Master File and the Local File, the simplified documentation must be prepared by the deadline for filing the annual IES declaration and submitted upon request.

Country-by-Country Reporting

For accounting periods commencing on or after January 1, 2016, Country-by-Country (CbC) reporting requirements, in accordance with the Final Report on Action 13 of the OECD/G20 BEPS Project, apply to multinational enterprise (MNE) groups where the ultimate parent company is required to prepare consolidated financial statements and is a tax-resident in Portugal, provided that the parent company is not itself owned by a foreign related party that is obligated to submit a CbC report. The parent company is required to file an annual CbC report for the global group with the Portuguese taxing authorities no later than 12 months after the end of the relevant accounting period, if the group's consolidated turnover equals or exceeds 750 million euros in the preceding tax period. [127] If the parent company is resident in a country that either does not require CbC reporting or does not have an effective exchange mechanism with Portugal, then another member of the group that is resident in Portugal must file a Portuguese CbC report.

[125] CIRC, Article 63(7).

[126] See CIRC, Articles 117(1)(c), 121, 130.

[127] CIRC, Article 121a(1).

In accordance with the OECD template, the CbC report must contain the following information for each territory in which the MNE group operates:

- revenue;
- profit before income tax;
- income tax paid and accrued;
- number of employees;
- stated capital;
- total retained earnings; and
- total tangible assets except for cash or cash equivalents.

Each entity within the group doing business in a particular tax jurisdiction must be identified, together with the business activities in which they engage.

Penalties of 500 euros to 10,000 euros plus 5% for each day of delay are payable where a taxpayer fails to comply with the CbC reporting requirements. [128]

Portugal has enacted Law No. 98/2017 to implement the provisions of Directive 2016/881/EU (DAC4) (amending Directive 2011/16/EU (DAC)) on CbC reporting and exchange of CbC reports within the EU. The Directive is based on the Final Report on Action 13 of the OECD/G20 BEPS Project.

Portugal is a signatory to the Multilateral Competent Authority Agreement on the automatic exchange of CbC reports, facilitating implementation of the transfer pricing reporting standards developed under Action 13 of the OECD's BEPS Project.

Public CbC reporting

Decree-Law No. 73/2023 transposed into national law, for fiscal years commencing from June 22, 2024, Directive (EU) 2021/2101 of November 24, 2021 (amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches). Subject to certain exclusions, the directive imposes a public CbC reporting obligation on certain categories of undertaking, including:

- an EU-based ultimate parent undertaking of a group; and
- certain EU-based subsidiaries or branches of a group whose ultimate parent undertaking is based outside the EU.

In both cases, this is subject to the provision that the group's consolidated revenue, as reflected in its consolidated financial statements, exceeded 750 million euros in each of the previous two financial years. The reporting obligation applies to the second of those years.

As permitted by the directive, Portugal's legislation includes an option for reporting entities to defer, for up to five years from the publication of the report in which the relevant information would otherwise have been included, the reporting of information that would seriously damage the commercial position of the entities to which the report relates. This option does not apply to information relating to jurisdictions included in the EU list of non-cooperative jurisdictions for tax purposes or the EU list of jurisdictions that have committed to implement reforms to comply with international tax standards.

8. Anti-Avoidance Provisions

8.1. General Anti-Avoidance Provisions

The Portuguese general anti-avoidance applies where an arrangement or a series of arrangements that have been put into place for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax law, is not genuine or has been carried out in abuse of law. [129]

[128] RGIT, Article 117(6).

[129] General Tax Law, Article 38.

Where the general anti-avoidance rule applies, the abusive arrangements are disregarded and the tax liability is calculated in accordance with the tax law that reflects the substance and economic reality of the transaction.

DAC6: Mandatory Disclosure Rules

Portugal has enacted Law No. 26/2020, of 21 July, 2020, which implements the provisions of Directive 2018/822/EU (DAC6) (amending Directive 2011/16/EU (DAC)) regarding the mandatory reporting of cross-border transactions by taxpayers and intermediaries. The law took effect July 1, 2020, but the reporting obligations were deferred for six months due to the Covid-19 (coronavirus) pandemic.

Under the DAC6 directive, intermediaries (including tax consultants, banks, and lawyers) and, in some situations, taxpayers, are required to report certain cross-border arrangements to the relevant tax authorities if the arrangements contain certain features (known as hallmarks). The hallmarks cover a broad range of structures and transactions.

Law 26/2020 generally follows the framework provided by DAC6, but for certain aspects the Portuguese framework goes beyond the EU Directive. In particular:

- it includes both cross-border mechanisms as well as purely domestic mechanisms;
- it covers taxes that are excluded from the directive (e.g., VAT on domestic arrangements); and
- in the case of intermediaries subject to legal or contractual confidentiality clauses, reporting obligations remain applicable for the intermediary if the relevant taxpayer fails to voluntarily comply with the reporting obligation.

In general, reportable cross-border arrangements must be reported within a 30-day period from the triggering event. A "triggering event" is the earlier of (i) the day after the reportable cross-border arrangement is made available for implementation, (ii) the day after the reportable cross-border arrangement is ready for implementation, or (iii) when the first step in the implementation of the reportable cross-border arrangement has been made. In addition, certain intermediaries must report within 30 days of the day after they provided (directly or by means of other persons) aid, assistance or advice with respect to designing, marketing, organizing, making available for implementation or managing the implementation of a reportable cross-border arrangement.

In respect of marketable arrangements (i.e., non-bespoke arrangements), intermediaries must notify the tax authority every three months of certain new information about the arrangement that has become available since the previous notification.

Penalties of up to 80,000 euros may apply for non-compliance with the reporting obligations.

Planning Point: Portugal's implementation of DAC6 goes beyond the minimum requirements of the Directive by extending reporting to cover domestic arrangements (including those related to VAT).

Hybrid mismatches

With effect from January 1, 2020, Portugal has enacted Law 24/2020, of July 6, 2020, implementing the hybrid mismatch rules set out in Directive 2016/1164/EU (the Anti-Tax Avoidance Directive) (ATAD), as amended by Directive 2017/952/EU (ATAD 2). New Articles 68A–68D are inserted into the Corporate Income Tax Code, defining the taxpayers to whom the rules for preventing hybrid mismatches and structured schemes apply.

The rules apply to a corporate taxpayer and its related parties, as well as unrelated persons within a structured scheme, and only: (a) in the event of a hybrid mismatch between dependent persons if such a mismatch leads to a deduction of expenditure without inclusion in income, or (b) if there are multiple deductions of the same expenditure without multiple inclusions in income among independent persons under a structured scheme.

A hybrid mismatch is a mismatch that arises from the use of:

- a hybrid financial instrument;
- a hybrid entity;
- a hybrid permanent establishment;

- an embedded mismatch;
- a structured scheme that results in a deduction of a non-revenue expenditure; or
- a multiple deduction of the same expenditure without multiple revenue inclusion.

To avoid hybrid mismatches, new measures and concepts relevant to their application, as well as exceptions to those measures, are defined.

Hybrid mismatches are corrected through adjustments (increases) to the tax base of the corporate taxpayer, primarily by denying a deduction of the taxpayer's expenditure, or through the inclusion of the expense claimed in the taxpayer's income. The rules allow for the possibility of deducting the denied expenditure in other taxation periods or for not including the expense in the taxpayer's income if such inclusion would contradict a relevant double taxation treaty. Furthermore, the legislation defines cases in which income is not included in the taxpayer's tax base. The legislation also makes special provision regarding the participants of hybrid mismatches who are subjects of collective investment without legal personality.

The rules introduce a way to avoid double taxation by offsetting the tax paid abroad in the case of multiple applications of the same tax withheld by several dependent persons in the hybrid transfer. In such a case, the provisions of the law make it possible to set-off the withholding tax to the extent specified in the legislation.

Effective January 1, 2022, where one or more associated nonresident entities holding in total a direct or indirect participation of at least 50 percent of the share capital, voting rights or rights to a share of profit in a hybrid entity incorporated or established in Portugal are located in a jurisdiction or jurisdictions that regard the hybrid entity as a taxable person, the hybrid entity is regarded as a Portuguese tax resident entity and subject to tax.

DAC7: Reporting obligations for digital platform operators

Portugal has enacted Law No. 36/2023 which transposes Article 1(8) of Directive 2021/514/EU (DAC7) (amending Directive 2011/16/EU (DAC)) and introduces mandatory reporting rules for digital platform operators. Primarily, the directive extends tax transparency rules to digital platforms by requiring (i) reporting platform operators to collect and report prescribed information on reportable sellers using their platforms for certain commercial activities, and (ii) EU Member States to automatically exchange this information.

Portugal has largely followed the wording of the DAC7 Directive.

Reporting Platform Operators: The legislation provides for the collection and reporting to the Portuguese tax authority of certain information by digital platform operators in respect of sellers of goods and services using their platforms.

A platform is defined as any software, including websites and mobile applications, which allows sellers to connect to other users to carry out a relevant commercial activity. However, the definition does not include platforms that allow only (i) the processing of payments, (ii) listing or advertising by users or (iii) the redirection or transfer of users to a platform.

Reporting applies to operators of digital platforms who are tax resident in Portugal, incorporated or managed in Portugal, or have a permanent establishment in Portugal, provided that the platform is engaged in a relevant commercial activity. A platform operator that is tax resident, incorporated or managed, or has a permanent establishment, in another EU Member State can elect to register and report in that other Member State.

Non-EU platform operators must also report to the Portuguese tax authority if they are registered in Portugal and facilitate relevant activities of EU sellers or the rental of immovable property located in a Member State.

Relevant Activities: The relevant activities that trigger an obligation to report are:

- the rental of immovable property;
- the provision of a personal service (time or task-based work);
- the sale of goods (tangible property); and
- the rental of any mode of transport.

For the reporting obligation to apply, the activity must be carried out for consideration and may be cross-border or domestic.

Reportable Sellers: A reportable seller is an EU resident individual, company or legal arrangement, registered on the platform and carrying out a relevant activity. Non-EU resident platform users renting out immovable property located in an EU Member State are also reportable sellers.

Government and publicly traded entities are excluded from reporting. So too are casual sellers of goods for which the platform has facilitated less than 30 sales and for which the total consideration paid does not exceed 2,000 euros during a reporting period. An exclusion also applies to sellers engaged in high frequency renting of immovable property. To qualify, there must be more than 2,000 relevant transactions during a reporting period.

Information to be Reported: From January 1, 2023, reporting platform operators must collect prescribed information on non-excluded sellers carrying out a relevant activity and identify reportable sellers. Due diligence provisions require the platform operator to verify the reliability of the information gathered.

The information to be disclosed to the Portuguese tax authority includes a reportable seller's identity, EU Member State of residence, financial account details, tax identification number ("TIN"), VAT/business registration numbers, consideration paid or credited per quarter, and any fees, commissions or taxes withheld by the reporting platform operator.

Additional information is required to be reported in the case of rental of immovable property.

Reporting Mechanics: Reportable information must be submitted online to the Portuguese tax authority, using the procedure set out in Ministerial Order No. 455-D/2023, no later than January 31 of the year following the calendar year in which a reportable seller is identified.

Exchange of reported information by EU Member States is required within two months following the end of the reporting period.

Compliance: There are sanctions and monetary penalties for non-compliance.

DAC8: Expanding tax transparency to crypto-assets

Portugal has enacted Law No. 26/2026 of June 3, 2026, which transposes Directive 2023/2226/EU (DAC8) and introduces tax transparency rules for crypto-assets and e-money based on the OECD's Crypto-Asset Reporting Framework (CARF). It also includes provisions to exchange information on advance cross-border tax rulings for high-net-worth individuals and introduces amendments to various DAC provisions, including enhanced requirements for reporting and communicating tax identification numbers (TINs), aimed at assisting tax authorities in accurately identifying taxpayers and assessing their tax liabilities. The rules apply to transactions carried out from January 1, 2026, with the first reports submitted in 2027.

8.2. Thin Capitalization/Other Interest Deductibility Rules

The Portuguese corporate income tax code establishes limits to the deductibility of net financing expenses incurred by taxpayers. Financial expenses are deductible up to the higher of:

- 1,000,000 euros; or
- 30 percent of earnings before interest, tax, depreciation and amortization (EBITDA). [130]

The amount of net financing expenses not deductible because it exceeds the maximum limit for the relevant tax year may be deducted in the following five tax years, under the "first in first out" (FIFO) method, after deduction of the net financing expenses of the respective year and subject to the applicable limits. [131]

When the net financing expenses are less than 30 percent of EBITDA, the amount of the limit that was not deducted in that tax year will be available, under the FIFO method, to offset net financing expenses of the following five years (after the deduction of the net financing expenses of the relevant year). [132]

[130] CIRC, Article 67.
[131] CIRC, Article 67(2).
[132] CIRC, Article 67(3).

The carry-forward provisions do not apply in the case of a change in ownership of more than 50 percent of the share capital or a change in the majority of the voting rights of the taxpayer. Exceptions to this are where (i) certain statutory provisions apply, [133] or (ii) it is concluded that the main objective of the change, or one of the main objectives, is not tax evasion, which will be the case, in particular, where the transaction was carried out for valid economic reasons. [134]

8.3. Controlled Foreign Company (CFC) Rules

The CFC rules apply when a Portuguese resident shareholder (a corporation or an individual) holds, directly or indirectly (through a legal representative, fiduciary or intermediary), a shareholding in a CFC of at least 25 percent. [135]

A CFC is a foreign entity when either of the following conditions are met:

- it is resident in a country or territory listed as a tax haven; or
- the foreign effective income tax paid is lower than 50 percent of the CIT that would be due, as computed under the rules of the Portuguese CIT Code. [136]

The CFC regime does not apply to entities resident in either the EU or in the EEA where the Portuguese resident taxpayer is able to demonstrate that the set-up and existence of the nonresident entity is based on valid economic reasons and that the entity is engaged in an agricultural, commercial, industrial or services based activity, having for that purpose personnel, equipment, assets and facilities. [137]

Entities resident outside Portugal are exempt from the CFC rules if the sum of the income they derive from one or more of the following categories does not exceed 25 percent:

- royalties or any other income generated from intellectual property, image rights and similar;
- dividends and income from the disposal of shareholdings;
- income from financial leasing;
- income from operations relating to banking activities, even if they are not carried on by a credit institution, relating to insurance activities and other financial activities carried out with related entities; and
- income from invoicing companies that earn sales and services income from goods and services purchased from and sold to related entities, and add no or little economic value. [138]

In general, all profits or any income derived by a qualifying CFC are attributable to its Portuguese resident shareholders, in the proportion of the participations held directly or indirectly in the CFC, irrespective of whether profits are distributed or not. [139]

9. Other Taxes

9.1. Payroll Taxes

There are no taxes on payroll in Portugal.

9.2. Capital Taxes (Capital Duties)

There are no taxes on capital in Portugal.

9.3. Property Taxes

9.3.1. Transfer Taxes, Including Real Property Transactions

The IMT property tax or *Imposto municipal sobre transmissoes onerosas de imoóveis* (formerly known as SISA) is due on the onerous transfer of ownership rights or limited rights, in real estate located in Portugal, as well as, among other things:

---

[133] For which see CIRC, Article 52(9).
[134] CIRC, Article 67(8), as amended by Law No. 24-D/2022, Article 227.
[135] CIRC, Article 66(1).
[136] CIRC, Article 66(6).
[137] CIRC, Article 66(14).
[138] CIRC, Article 66(7).
[139] CIRC, Article 66(3).

- Sale agreements of real estate when it was established that the ownership would pass to the buyer before public deed.
- Leases that contain contractual clauses under the terms of which the immovable property become the tenant's property after all the lease rentals have been paid.
- Leases or sub-leases for a period of over 30 years. Initially established or extended.
- Acquisition of shares in non-listed companies whose assets consist of more than 50 percent of real estate located in Portugal, where the real estate is not directly allocated to a commercial, industrial or agricultural activity (except resale), and by virtue of such acquisition, redemption of shares of any other facts, one of the shareholders owns at least 75 percent of the share capital.
- Sale agreements which contain "transfer contractual position" clauses and assignment of contractual position and resale adjustments.
- Grants of irrevocable powers of attorney that empower the transfer of ownership rights in real estate or of shares of *sociedades em nome colectivo, sociedades em comandita and sociedades por quotas*.
- Property transfers to pay up share capital (at the incorporation or capital increase).
- Transfer of improvements.

IMT is levied on the higher of the contract value or the TPV (Taxable Patrimonial Value) calculated by reference to a formula. It must be paid by the transferee. [140]

The IMT rates are as follows: [141]

- Property for unique and permanent residential purposes and for residential purposes and "second address" – maximum of 8 percent.
- Non-urban property – 5 percent.
- Other onerous acquisitions – 6.5 percent.
- Urban and non-urban purchased by a resident in a country indicated in the Portuguese blacklist law or by an entity that is controlled, by a resident in a country indicated in the Portuguese blacklist law – 10 percent.

In determining taxable value, the value of any crypto assets given in exchange for the transfer of property will be taken into account. [142]

An IMT exemption is available on the purchase of a property for resale by a registered dealer who can show, through a certificate issued by the tax authority, that in each of the previous two years they have resold property previously acquired for that purpose. [143]

From August 1, 2024, qualifying resident individuals up to age 35 years old can benefit from IMT exemption on the purchase of a first and permanent residence. [144]

The rates in Madeira and the Azores are lower than in mainland Portugal.

9.3.2. Real Property Taxes

The other kind of tax on property is the IMI or *Impostomunicipal sobre imóveis*. IMI is a municipal tax that is levied on the TPV (Taxable Patrimonial Value) of urban and non-urban property located in Portugal. [145] The TPV is calculated by reference to a formula.

---

[140] Municipal Tax Code on Real Estate Property Transfers, Article 12.

[141] Municipal Tax Code on Real Estate Property Transfers, Article 17.

[142] Municipal Tax Code on Real Estate Property Transfers, Article 12(5)(b), as inserted by Law No. 24-D/2022, Article 247.

[143] Municipal Tax Code on Real Estate Property Transfers, Article 7, as amended by Law No. 24-D/2022, Article 247.

[144] Municipal Tax Code on Real Estate Property Transfers, Articles 4, 9, 11, and 17, as amended by Decree Law No. 48-A/2024, Article 2.

[145] Municipal Tax Code on Real Estate, Article 112 as amended.

The IMI rates are as follows:

- non-urban property: 0.8 percent;
- urban property: between 0.3 percent and 0.45 percent; and
- real estate owned by (i) a resident of a country listed in the Portuguese blacklist (tax havens) law, or (ii) an entity controlled by an entity resident in such a country: 7.5 percent.

Generally, municipalities can define territorial areas in which IMI rates can be increased or decreased by up to 30 percent (e.g., to encourage urban rehabilitation). An increase of up to 100 percent may be applied to buildings located in designated urban pressure zones.

In the case of urban buildings that have been vacant for a period of over one year or are in ruins (except if the property's state is attributable to a natural disaster or calamity), the IMI rate is increased to a maximum limit of up to 20 times that rate. This maximum can be increased further, by decision of the municipality, to up to:

- 50 percent where the building is intended for housing but is neither rented nor used as the taxpayer's own permanent home; or
- 100 percent if the taxpayer is a legal entity. [146]

An additional IMI tax, known as *adicional ao imposto municipal sobre imóveis* (AIMI), is payable by individuals and corporations who are owners of urban properties in Portugal, and is calculated on the tax registration value of the relevant property. Individual taxpayers have a personal allowance of 600,000 euros in respect of AIMI, so that the tax is only payable on properties, or the value of a property, above that amount. Married couples or others who own properties in joint names can combine their allowance (e.g., a married couple will only pay AIMI on the value of a property above 1,200,000 euros). [147]

The AIMI rates are generally as follows:

- individuals (and estates of deceased persons in administration) – 0.7 percent;
- corporations – 0.4 percent; and
- urban properties owned by entities based in tax havens – 7.5 percent.

The rates are increased rate by 1 percent on the part of the taxable value exceeding 1 million euros, and by 1.5 percent on the part of the taxable value exceeding 2 million euros.

9.3.3. Taxes on Movable Property

There are no personal property taxes in Portugal.

9.3.4. Fixed Asset Taxes

There is no fixed asset tax in Portugal.

9.4. Miscellaneous Taxes

OECD Two-Pillar Solution

Portugal is a signatory to the *Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy*, issued by the OECD on October 8, 2021.

The first element of that solution, Pillar One, includes the creation of a new taxing right for market jurisdictions, known as Amount A. Only multinational entities with global turnover exceeding 20 billion euros and pre-tax profitability exceeding 10 percent will fall within the scope of the Amount A taxing right. Pillar One will be implemented through a multilateral convention (MLC) that is currently being developed and through correlative changes to domestic law. The MLC will require its parties to remove all digital services taxes and other relevant similar measures in respect of all companies.

[146] Municipal Tax Code on Real Estate, Article 112-B as amended.

[147] Municipal Tax Code on Real Estate, Article 135f.

The second element of that solution, Pillar Two, comprises the Global anti-Base Erosion Rules ("the GloBE rules") and a treaty-based rule, the Subject to Tax Rule ("the STTR").

The GloBE rules, published by the OECD together with extensive accompanying commentary and administrative guidance, seek to limit corporate tax competition between jurisdictions by implementing an effective 15 percent global minimum corporate tax rate for large multinational entities.

The STTR is intended to complement the GloBE rules. It is a treaty override provision that permits source jurisdictions to levy an additional tax liability on specified connected party payments in circumstances where the recipient is subject to a nominal corporate tax rate of less than 9 percent (adjusted for various tax base reductions).

According to the OECD's Statement on a Two-Pillar Solution, jurisdictions with a nominal corporate income tax rate below the STTR's 9 percent rate will, when requested to do so, implement the STTR in their bilateral treaties with developing countries that are members of the OECD's Inclusive Framework.

The necessary treaty changes will be made primarily by means of a multilateral instrument, but treaty partners will be free to insert the STTR into their treaties through bilateral agreements if they wish.

For further information on the STTR, see Bloomberg Tax Roadmap: Subject-to-Tax Rule (STTR) Country Status.

Implementation of Pillar Two

EU Pillar Two Directive on implementation of 15 percent global minimum tax

Within the EU, the 15 percent global minimum tax provisions of Pillar Two are being implemented through the EU Directive on minimum taxation (EU Directive 2022/2523) ("the Directive"), published in the EU Official Journal on December 22, 2022. The Directive introduces the Pillar Two "top-up" tax (i.e., a tax applied at a rate equivalent to the difference between an effective tax rate (ETR) of 15 percent and the actual ETR for a jurisdiction). Subject to various exclusions, it applies to groups which have constituent entities (CEs) in an EU Member State and which have annual consolidated revenues of at least 750 million euros in at least two of the four fiscal years immediately preceding the relevant fiscal year. Both multinational enterprise (MNE) groups and domestic groups fall within the remit of the Directive.

The Directive includes the following elements:

Income Inclusion Rule (IIR) — The Directive implements the top-up tax through the introduction of the IIR applicable to fiscal years commencing from December 31, 2023. The IIR requires ultimate parent entities (UPEs) of affected MNE groups located in a Member State to pay a top-up tax if the ETR on their foreign operations is below 15 percent. This is calculated on a jurisdiction-by-jurisdiction basis. Additionally, a UPE located in a low-tax Member State is subject to the IIR in respect of itself and of all low-taxed CEs of the group located in that Member State.

Qualified Domestic Top-up Tax (QDTT) — The Directive permits Member States to implement a QDTT applicable to fiscal years commencing from December 31, 2023. Under the QDTT, a relevant group's CEs, located in a Member State, must pay a top-up tax in that state where the ETR on their domestic operations is less than 15 percent. A Member State must make an election if it wishes the QDTT to apply.

Undertaxed Profits Rule (UTPR) — The Directive contains a UTPR (i.e., a "backstop" rule that enables a jurisdiction to require the resident CE of an MNE group to account for any top-up tax that has not otherwise been collected through an IIR or a QDTT), applicable to fiscal years commencing from December 31, 2024. The UTPR is applicable when the UPE of an MNE group is located outside the EU in a jurisdiction that does not apply a qualified IIR or is an excluded entity. It also applies when the UPE is located in a country outside the EU with an ETR below 15 percent.

Under the Directive, the UTPR can be applied either through (i) the denial of a deduction, or (ii) an equivalent adjustment.

Safe Harbors — The Directive requires Member States to ensure that, at the election of the filing CE, the top-up tax due from a group in a jurisdiction is deemed to be zero for a fiscal year if the effective level of taxation of the CEs located in that jurisdiction fulfils the conditions of a qualifying international agreement on safe harbors (i.e., an international set of rules and conditions to which all Member States have consented and which grants groups within the scope of the Directive the possibility of electing to benefit from one or more safe harbors for a jurisdiction).

Penalties – The Directive requires Member States to lay down effective, proportionate and dissuasive penalties for infringements of national provisions adopted under the Directive.

The Directive largely follows the Globe rules, but with certain variations to ensure compliance with EU law, including:

- Application to large-scale domestic groups – Unlike the GloBE rules, the Directive applies not only to MNE groups, but also to domestic groups that meet the turnover threshold.
- Application to domestic CEs – Where a relevant group's UPE is located in a low-tax Member State, it is subject to the IIR in respect of itself and all low-taxed CEs of the group located in that Member State for the fiscal year. In contrast, the GloBE rules apply the IIR only to the low-taxed income of a group's foreign CEs.
- Delayed application of the IIR and the UTPR – Member States with no more than 12 UPEs of groups within the scope of the Directive may elect to defer application of the IIR and UTPR for six consecutive fiscal years beginning from December 31, 2023. If the Member State making the election is low-taxed, then the other Member States must apply the UTPR to their CEs of such groups for fiscal years beginning from December 31, 2023.

Member States were required to bring into force the laws, regulations and administrative provisions necessary to comply with the Directive by December 31, 2023, with the measures envisaged generally to apply to financial years beginning on or after that date.

The OECD Inclusive Framework Side-by-Side Package

On January 5, 2026, the OECD issued administrative guidance on a Side-by-Side (SbS) package, as agreed by the members of the Inclusive Framework. This guidance, which has been incorporated in the commentary to the GloBE rules, includes the following elements:

- the SbS safe harbor – this is available, on the election of the filing CE, to CEs of an MNE group whose UPE is located in a jurisdiction with a "qualified SbS regime" for the relevant fiscal year. Where such an election is made, the top-up tax for a jurisdiction for the relevant fiscal year is deemed to be zero for the purposes of the IIR and the UTPR. A jurisdiction has a qualified SbS regime if (i) it has both an "eligible domestic tax system" and an "eligible worldwide tax system" (as defined in the guidance); (ii) it provides a foreign tax credit for QDMTTs on the same terms as any other creditable covered tax; and (iii) it enacted its eligible domestic and worldwide tax systems before January 1, 2026 or on later date in accordance with procedures specified in the guidance. The SbS safe harbor is applicable for fiscal years commencing from January 1, 2026. If, due to constitutional grounds or other superior law, it is impossible for a jurisdiction to implement the SbS safe harbor with effect from that date, it must do so from the earliest practical date. Where the Inclusive Framework has determined that a jurisdiction has a qualified SbS regime, that jurisdiction will be listed in the central record maintained by the OECD;
- the UPE safe harbor – this is available, on the election of the filing CE, to an MNE group whose UPE is located in a jurisdiction with a "qualified UPE regime" for the relevant fiscal year. Where such an election is made, the top-up tax for the UPE jurisdiction for the relevant fiscal year is deemed to be zero for the purposes of the UTPR. A jurisdiction has a qualified UPE regime if it has an "eligible domestic tax system" (defined in the same way as for the SbS safe harbor) that was enacted and effective as of January 1, 2026. The UPE safe harbor is applicable for fiscal years commencing from that date. Where the Inclusive Framework has determined that a jurisdiction has a qualified UPE regime, that jurisdiction will be listed in the central record maintained by the OECD;
- the simplified ETR safe harbor – this reduces the compliance burden associated with the global minimum tax by determining an MNE group's ETR through a calculation based on the income and taxes drawn from the group's reporting packages, with minimal adjustments. This safe harbor is available, on the election of the filing CE, from 2027. In certain circumstances, it can apply from 2026;

- the substance-based tax incentive safe harbor – this allows an MNE group, on the election of the filing CE, to treat certain "qualified tax incentives" as additions to the covered taxes of its CEs in a jurisdiction. A qualified tax incentive is one that is generally available to taxpayers and is based on either expenditures incurred or the amount of tangible property produced in a jurisdiction. The allowance is subject to a cap that is equal to the greater of 5.5 percent of the payroll costs or depreciation of tangible assets in the jurisdiction. Alternatively, an MNE group can opt for a cap that is equal to 1 percent of the carrying value of tangible assets in the jurisdiction, This safe harbor is available for fiscal years commencing from January 1, 2026;
- extension of the transitional CbCR safe harbor – the transitional CbCR safe harbor, as originally established, gives a domestic filing CE the option to treat the top-up tax of a relevant jurisdiction as zero, during a transition period covering fiscal years beginning no later than December 31, 2026 and ending no later than June 30, 2028, if at least one of three specified tests is satisfied. The SbS package extends this transition period to cover fiscal years beginning no later than December 31, 2027 and ending no later than June 30, 2029.

For further information on the SbS package, see Bloomberg Tax OECD Global Minimum Tax: Pillar Two GloBE Decision Tree.

Relationship Between SbS Package and EU Pillar Two Directive – In Commission Notice C/2026/253, issued on January 12, 2026, the European Commission stated that the SbS package constitutes a qualifying international agreement on safe harbors for the purposes of the Directive.

Portugal's implementation of Pillar Two directive

Portugal has implemented the Directive through Law 41/2024 of November 8, 2024. The Portuguese legislation introduces an IIR and a QDTT for accounting periods starting on or after January 1, 2024, and a UTPR for accounting periods beginning on or after January 1, 2025. However, where the UPE of an MNE group is located in a Member State that has elected for delayed application of the IIR and UTPR, Portugal will apply the UTPR for accounting periods on or after January 1, 2024.

Guidance – Portugal's Pillar Two rules are generally in line with the OECD model rules and the EU Directive.

Portuguese law also refers to the OECD administrative guidance on any aspects of the Pillar Two rules that may not be expressly provided under Law No. 41/2024.

Safe Harbors and Exclusions – Portugal has adopted the transitional CbCR safe harbor, the transitional UTPR safe harbor, and the QDTT safe harbor. The Law also includes transitional safe harbor provisions allowing non-material CEs, to use simplified calculations during the initial years of implementation.

SbS Package – Portugal has not yet enacted legislation to implement the SbS package.

Administrative Requirements – Registration declaration: A relevant group's CE, located in Portugal, must file a declaration informing the tax authority about the start of the initial phase of international activity of the MNE group or, in the case of a large national group, the start of the first fiscal year in which it became subject to the regime. The declaration must specify the status of the CE making the declaration or the designated local entity, and, where applicable, the identification of the UPE or the designated reporting entity and the jurisdiction in which these entities are located.

The declaration must be filed within nine months from the end of the relevant tax year in which the group falls within the regime or in which changes occur in the group. However, for the first year, the deadline is extended to the end of the 12th month (the 15th month for CEs whose fiscal year ended between December 31, 2024 and March 31, 2025).

GloBE Information Return: A relevant group's CE, located in Portugal, must file an annual top-up tax information return, unless the return is filed (i) by a designated local entity, or (ii) by the UPE or a designated group filing entity in another jurisdiction with which Portugal has a qualifying competent authority agreement. The return must be filed no later than 15 months after the end of the relevant fiscal year (extended to 18 months in the first year that a group falls within the scope of application of the rules).

Tax Return and Payment: A Portuguese CE is required, for any year in which the entity self-assesses that top-up tax is due in Portugal, to file a top-up tax return by the end of the 15th month after the end of the relevant tax year (extended to the 18th month for the first year).

Failure to assess the top-up tax due will result in the Portuguese tax authority issuing a notice requiring the taxpayer to submit the relevant tax assessment within 30 days. In the event of failure to comply with this notice, the tax authority may issue a tax assessment covering all the top-up tax payable by the taxpayer. In contrast to the general rule (see, further, Section 2.10), under which the time limit is four years, the Portuguese tax authority may issue top-up tax assessments up to eight years after the events giving rise to the relevant liability.

Penalties — In general, administrative penalties of up to 100,000 euros (plus 5 percent for each day of delay) may apply for no or late filing. Omissions or inaccuracies that do not constitute a tax offence or administrative offence (under the General Regime of Tax Offences) are punishable by a fine of up to 23,500 euros.

However, for the transitional period (i.e., fiscal years beginning no later than December 31, 2026 and ending prior to July 1, 2028), administrative penalties may not apply if it is demonstrated that the entity acted in good faith, based on a plausible interpretation of the regime and having taken the appropriate measures for the correct fulfillment of its obligations, or that the infraction does not result in a reduction in the amount of tax due in that or subsequent fiscal years.

For further information on the Two-Pillar Solution, see the Bloomberg Tax "OECD Two-Pillar Solution Global Tax Agreement Watch".

Planning Point: Portugal's top-up tax information and top-up tax return deadlines extended: On June 3, 2026, the Secretary of State for Tax Affairs issued an order extending the filing deadlines for the top-up tax information and top-up tax returns for the 2024 fiscal year to September 30, 2026.

Planning Point: Centralized filing for top-up tax information returns. Portugal has enacted Law No. 26/2026 of June 3, 2026, to implement Directive 2025/872/EU (DAC9) (amending Directive 2011/16/EU (DAC)). DAC9 simplifies Pillar Two compliance for MNEs by introducing (i) a standardized template for the top-up tax information return, (ii) simplified filing obligations, and (iii) a centralized framework for the exchange of information contained in those filings. DAC9 applies to all MNEs that have CEs in EU Member States, even if they are headquartered outside the EU.

Importantly, DAC9 enables a UPE, or a designated entity, to file a single top-up tax information return in only one Member State for the entire group, effectively exempting CEs from filing local returns. This simplification will reduce the administrative burden on MNE groups and is expected to be the main tool used by MNEs to comply with their filing obligations under the Pillar Two Directive.

Financial Institution Tax

Portugal imposes stamp duty on most financial transactions.

Stamp Duties

In general, resident corporate entities as well as nonresident corporate entities and individuals are subject to stamp tax on any act, contract, document, title, book, paper or other taxable event as set out in the general Stamp Tax Table under the Stamp Tax Code and deemed to take place in Portugal.

Excise Duties

There are different types of excise duties, such as the:

- petroleum and energy products tax;
- alcohol and alcoholic beverages tax;
- tax on soft drinks containing added sugar;
- tobacco tax; and
- vehicle tax.

Exit Tax

Under the Portuguese exit tax rules, whenever an entity with its head office or effective management in Portugal ceases to operate in Portugal because it transfers its residence to another jurisdiction, the taxable profits for that fiscal year are based on the difference between the market value and tax value of the entity's total assets. [148]

Where the entity is changing its residency to an EU or EEA country with which Portugal has a mutual assistance agreement for the recovery of pending tax claims, the exit tax may be paid either immediately (within the general corporate tax payment deadlines) or in five equal annual installments. In the case of annual installments, interest is payable at the general rate for late payment.

The failure to pay any of the five yearly installments will render all remaining payments immediately due, and may trigger legal collection procedures.

In addition, where an entity is changing its residency to another EU country, the participation exemption regime may apply if its conditions are satisfied (see Section 2.5).

Gift Taxes

No separate inheritance or gift tax is in force in Portugal. Gratuitous transfers may be subject to corporate income tax where received by corporate entities, or to stamp duties where received by individuals.

Online Gambling Tax

A new tax regime for online gambling came into force on June 28, 2015. The gross revenue of companies providing online gambling services is taxed at 25 percent (from 2020; previously, the rates were 15 percent if less than 5,000,000 euros per year and up to a maximum of 30 percent if exceeding 5,000,000 euros). Online sports betting companies pay a levy on betting revenue at a rate of 8 percent, increasing to 35 percent where the betting revenue is the sole income of the company (from 2020; previously, rates ranged from 8 percent to 16 percent).

Tonnage Tax Regime

A tonnage tax regime applies to maritime transport companies and seafarers. Under this special regime, the taxation base is calculated by applying specific daily values to each eligible vessel. In addition, crew members can qualify for a personal income tax exemption and are instead subject to a specific contribution regime. [149]

Digital Supplies

Effective February 17, 2021, Law No. 74/2020 provides for two levies relating to cinematographic and audiovisual activities:

- *Exhibition levy* — This applies at a rate of 4 percent and applies to the amount paid for audiovisual commercial communication included in video-sharing platforms. The exhibition levy is due by advertisers on income realized in Portugal and will be included in the invoice issued by the video-sharing platform; and
- *Annual levy* — This is charged at 1 percent of income derived from the provisions of subscription video-on-demand services.

The 1 percent levy is due by service providers on relevant income realized in Portugal associated with subscriptions or occasional transactions for video-on-demand services. Service providers with annual turnover from relevant income of less than 200,000 euros or with less than 0.5 percent of active subscribers are exempt.

In cases where it is not possible to determine the value of the relevant income of the service provider, the annual levy is 1 million euros.

Value Added Tax (VAT)/Goods and Services Tax (GST)

For VAT/GST and similar taxes, see the VAT Navigator.

---

[148] CIRC, Articles 83, 84.

[149] Decree-Law 92/2018 of November 13, 2018.

10. Special Industries

10.1. Oil, Gas and Mineral Extraction

There are no special tax rules for the oil, gas, and mineral extraction industry.

10.2. Banking and Finance

Portuguese headquartered credit institutions, Portuguese subsidiaries of foreign credit institutions, as well as branches in Portugal of foreign credit institutions are subject to a special financial sector contribution, applicable on a taxable base composed as follows:

- Base I: Liabilities, defined as the set of elements accounted for in the balance sheet representing liabilities towards third parties, irrespective of their form or nature (excluding, amongst others, items accounted for as equity, liabilities for defined benefit retirement plans; provisions, and liabilities concerning the revaluation of financial derivatives). The financial sector contribution is applicable between 0.01 percent and 0.11 percent.
- Base II: The notional amount of off-balance sheet financial derivatives, excluding hedging derivatives and back-to-back derivatives. The financial sector contribution is applicable between 0.00010 percent and 0.00030 percent.

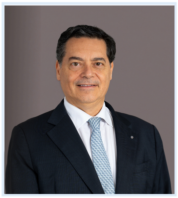
Additional bank levy

Law No. 27-A/2020 of July 24, 2020, imposed an additional bank levy on the average value of certain liabilities (at a 0.02 percent tax rate) and off-balance sheet derivatives (at a tax rate of 0.00005 percent). [150] However, on June 3, 2025, the Portuguese Constitutional Court, in Judgment No. 478/2025, ruled the additional bank levy to be unconstitutional on the grounds that it violates the principles of tax equality and contributory capacity.

From a practical and legal perspective, this decision has important consequences for the banking institutions that were subject to the levy, as it opens the possibility for claims seeking the reimbursement of amounts paid under a regime now deemed unconstitutional.

[150] Law No. 27-A/2020, Article 18.

About the Author



Rogério Fernandes Ferreira

Founder and Managing Partner, RFF Lawyers

Rogério Fernandes Ferreira is the founder and managing partner of RFF Lawyers. He is president of the Portuguese branch of the International Fiscal Association (IFA) and of the Latin American Institute of Tax Law (ILADT). He is a former Secretary of State for Tax Affairs and a visiting Professor of International Taxation, Tax Litigation, and Private Clients at the Law School of the University of Lisbon and at the Portuguese Catholic University. He is a member of the Portuguese, Brazilian, and Paris Bar Associations and served as President of the Commission for the revision of the code of tax procedure, general tax law, and taxpayers' Guarantees - between 2024 and 2025 - appointed by the Minister of State and Finance.

Álvaro Silveira de Meneses

Associate Partner of RFF Lawyers

Álvaro Silveira de Meneses is an Associate Partner and coordinator of the Tax Advisory practice area at RFF Lawyers. For over 10 years, he has focused predominantly on international taxation, corporate income tax, and VAT, advising national and multinational companies on their investments across various jurisdictions. He is also a co-coordinator and senior researcher at the NOVA Tax Research Lab, as well as a speaker at conferences and postgraduate courses.

About Bloomberg Tax

Bloomberg Tax provides comprehensive global research, news, and technology services enabling tax professionals to get the timely, accurate, and in-depth information they need to plan and comply with confidence. Our flagship Bloomberg Tax platform combines the proven expertise and perspectives of leading tax practitioners in our renowned Tax Management Portfolios with integrated news from the industry-leading Daily Tax Report®, authoritative analysis and insights, primary sources, and timesaving practice tools. Bloomberg Tax Technology solutions on our proprietary Advantage platform help practitioners simplify complex processes to better control risk and maximize profitability.

For more information, visit **pro.bloombergtax.com**

Bloomberg Tax