

Exemption from VEHICLE TAX on transfer of residence from one Member State or a third country to Portugal

Who can claim exemption from vehicle tax (ISV) and what are the residence conditions for the purposes of the exemption?

Those over 18 who have proof of residence in an EU member state or third country for at least 12 months, and who have been qualified to drive for the minimum period of residence in their country of origin and who transfer their residence to Portugal, provided certain conditions are met.

For the purposes of calculating the 12 month residence period in situations where the country of origin establishes restrictions on stays, if the residence has been fixed for non-consecutive periods, the total time spent in the country is counted on the basis of a certificate issued by the competent consular agency. Each period cannot be less than 183 days per calendar year.

What conditions must the vehicle meet for exemption from ISV?

The owner must become a resident of Portugal

It must have been purchased in the country of origin of the owner, or in a country where the owner has also previously resided with the payment of all taxes payable in that country and must not have benefitted from any tax rebate when it was sent or exported to Portugal;

It must have been owned by the person in the country of origin for at least twelve months before the transfer of residence, counted from the date of issuance of the document of ownership, or in the case of vehicles acquired with a loan the date on which the loan was agreed, and the vehicle documents must contain the identity of the lessee.

What is the legal period for submitting applications for exemption of ISV and how many vehicles can be exempted and how soon can I get a new exemption from the ISV?

The exemption request must be submitted within six months of the date of change of residence which is deemed to occur on the date that the owner changes address in the Tax Records. The exemption is granted to one car or motorcycle per beneficiary and may only be granted once every ten years.

What are the obligations of the person who benefits from the exemption?

The beneficiary of the exemption from the ISV cannot sell, give away or rent the car exempted before the expiry of 12 months from the grant of registration, under penalty of full payment of the tax and criminal or civil liability and he must remain a permanent resident of Portugal for a minimum period of 12 months. Whenever the exempted vehicle is sold subject, after the non-transferability period of one year has passed, the vehicle will be taxed in an amount proportional to the time remaining before the expiry of five years, according to the rates prevailing at the date the exemption was granted.

Can the car be used during the exemption process and after the tax adjustment?

Use of the vehicle for which ISV exemption is requested may be authorized by Customs before the decision is taken on its recognition, provided the vehicle is driven by its owner, by the spouse or common-law-spouse or by ascending or descending relatives of the first degree who live in the same household as the beneficiary.

Once the exemption is recognized and prior to the issuance the certificate of registration, the exempt vehicle can travel freely in the national territory during a period of 60 days from the date of allocation of the national registration covered by the request which includes an indication of the registration

Note: This document is intended to be descriptive and synthetic information about some major aspects of tax legislation concerning Portuguese main taxes based on the Portuguese Tax System information provided by the DGCI and DGAIEC. These articles are not, and do not purport to be, official, and are intended for informational use only. They have no status other than as an informal, unofficial, aid to non-Portuguese speakers in understanding the Portuguese direct tax system