Personal Income Tax (IRS): Taxable persons

Income tax is payable by individuals on income obtained from, a business activity or independent profession, investment income, employment, immovable property, capital gains, pensions and betting or gambling profits.

Resident individuals are subject to income tax on their worldwide income while nonresidents are liable to income tax only on income sourced in Portugal. Residence is determined by physical presence in Portugal for 183 days or more in any tax year.

Husbands and wives living together, and their dependent children, are taxed on their joint income and are jointly liable for the tax of the family unit. Normally, the tax year coincides with the calendar year but may be split in the year of marriage, divorce, separation or death.

Special rules apply for the calculation of gains on immovable property, shares or other corporate rights, securities and patents. Exempt income includes various employment allowances (up to certain limits); a portion of pension income; capital gains from the sale of the principal private residence, when the proceeds are reinvested in another private residence; and gains on sales of qualifying shares.

RESIDENTS:

Liable to IRS on worldwide income (Portugal and abroad).

NON RESIDENTS:

Liable to IRS only on their Portuguese source income only (according to IRS categories)
Income earned by non-residents in Portugal is taxed at a **FINAL WITHHOLDING TAX RATES**

Withholding of IRS on income covered by international tax conventions: There is no obligation to withhold IRS at source, wholly or partly, as the case may be, in respect of incomes subject to withholding tax rates where under a convention for the avoidance of double taxation concluded by Portugal, the rights to tax income earned by a resident of the other Contracting State are not attributed to the source country or only in a limited way. In such case, the income earners are required to give evidence to the entity responsible for the withholding at source that the legal conditions have been met as laid down in the convention designed to avoid the double taxation. Such evidence consists in the production of a standard printed form approved by a ministerial order and duly certified by the competent authorities of the State of Residence.

Non Habitual Residents:

Liable to IRS on their net employment and self-employment income from "high-value activities" at a flat rate of 20%.

The regime will only apply to individual taxpayers who become Portuguese tax residents under Portuguese law, provided they have not been taxed as tax residents in Portugal in the previous five years and the income arises from “high value added activities of a scientific, artistic or technical nature”. Additionally, the regime also establishes a tax exemption for foreign-source employment income, self employment income, rental income, interest, dividends as well as other investment income and capital gains, provided this income could has been taxed in the State of source, under an existing Double Tax Treaty or such income have been taxed in another non blacklisted jurisdiction under its domestic legislation.