Portugal

Tax overview

Corporate Income Tax	21%
Personal Income Tax	48%, progr.
Gift Tax	10%
Inheritance Tax	10%
Wealth Tax	None

Legal System

Portugal has a civil law legal system, with origins in German and Roman law.

Corporate Income Taxation

Corporations with their legal seat, or place of effective management, in Portugal are subject to tax on world wide income at 21%.

Individual Taxation

Resident individuals are subject to tax on worldwide income at progressive rates up to a maximum of 48%. There is also a Solidarity tax of up to 5%. Portugal applies gift and inheritance tax at 10%, except for spouses and lineal descendants. Portugal does not impose wealth tax.

Anti-Avoidance Rules

Portugal has adopted the EU's Anti-Tax Avoidance Directive (ATAD), and has Transfer Pricing rules, Thin Capitalization rules, and Controlled Foreign Corporation (CFC) rules, as well as General Anti Avoidance Rules (GAARs).

Controlled Foreign Corporations (CFCs)

Controlled Foreign Corporation (CFC) rules apply where a Portuguese resident owns at least 25% of the share capital, voting rights, or "rights over income or assets" of the CFC, the CFC is subject to tax at an effective rate of less than 50% of the Portuguese corporate rate (21%) or is resident in a low tax jurisdiction (LTJ). CFC rules do not apply to legal entities resident in the EU or EEA with effective exchange of information, provided that CFC has a valid economic purpose and substance. If CFC rules apply, the undistributed profits of the CFC are imputed to Portuguese residents.

Foreign Trusts

Portugal has not ratified the Hague Convention on the recognition of trusts, and does not recognize trusts other than those created in the Madeira IBC. However, foreign trusts are recognized under general principles of Portuguese law, but are not recognized where they contravene Portuguese forced heirship rules.

Under a 2014 amendment to the Portuguese Tax Code (Law 82-E/2014) , foreign trusts are taxed as "fiduciary structures." However, where the settlor is not also a beneficiary or the beneficiaries do not control distributions, trusts should not be treated as "fiduciary structures." Transfers by the settlor to a trust are not subject to tax, except 10% stamp tax where the assets are local situs. Distributions to beneficiaries are taxed at 28%, except where the trust is resident in an LTJ, then taxed at 35%. However, if the trust is not treated as a "fiduciary structure," distributions may be taxed as gratuitous transfers subject to stamp tax. On dissolution of the trust, distributions to the settlor are taxed at 28% on the gain, or 35% where from an LTJ, and 10% on transfers to beneficiaries where local situs assets.

Double Tax Treaties (DTTs)

Portugal has a broad network of DTTs, which provide relief from double taxation.

OECD Multilateral Convention

Portugal is party to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which requires exchange "on request," and authorizes spontaneous and automatic exchange.

Common Reporting Standard (CRS)

Portugal is a party to the Multilateral Competent Authority Agreement (MCAA) and has implemented CRS for the automatic exchange of financial account information.

FATCA

Portugal has a FATCA Model 1 Intergovernmental Agreement (IGA) with the United States for the automatic exchange of account information.

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