Portugal

International Estate Planning Guide

IBA Private Client Tax Committee

Contact:

João Valadas Coriel
Valadas Coriel & Associados, Lisbon
joao.coriel@valadascoriel.com

Sofia Quental
Valadas Coriel & Associados, Lisbon
sofia.quental@valadascoriel.com

Marta Valadas Coriel
Valadas Coriel & Associados, Lisbon
marta.coriel@valadascoriel.com

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Portuguese succession law combines testamentary freedom with a mandatory reserved portion (*legítima*) for certain close family members. Depending on the surviving heirs, between one-third and two-thirds of the deceased's net estate is reserved to the spouse, descendants and (in their absence) ascendants.

Save in limited cases, the reserved portion cannot be overridden by will and lifetime gifts (*doações*) may be taken into account (and, where applicable, reduced) to ensure the reserved shares of the forced heirs are restored. Gifts or bequests that infringe the reserved portion are treated as 'inofficious' (*liberalidades inoficiosas*) and may be reduced accordingly.

Portuguese law permits spouses, in a prenuptial agreement (*convenção antenupcial*) adopting the separation of property regime (*separação de bens*), to reciprocally waive their status as forced heirs. This can be relevant in second-marriage planning and in protecting the succession expectations of descendants from prior relationships. The surviving spouse may nevertheless retain statutory protections, including a right of residence (*direito de habitação*) in the family home for five years (extendable by the court and potentially for life if the spouse is at least 65 at the opening of the succession). The waiver does not affect the surviving spouse's right to maintenance (*alimentos*) or entitlement to social security survivor benefits.

In cross-border estates, the applicable succession law depends on Portuguese conflict-of-law rules and, where applicable, Regulation (EU) No 650/2012 (the EU Succession Regulation). Outside the scope of that Regulation, Portuguese private international law generally refers succession matters to the deceased's personal law (*lei pessoal*), which is typically the law of their nationality. Within the scope of the EU Succession Regulation, the default connecting factor is the deceased's habitual residence at the time of death, subject to a valid choice of law.

For deaths on or after 17 August 2015, the EU Succession Regulation establishes harmonised conflict-of-law rules among participating European Union Member States and created the European Certificate of Succession, intended to facilitate proof of heirs' status and powers across Member States.

As a general rule, and absent a valid choice of law, the Regulation provides that the law governing the succession as a whole is the law of the state in which the deceased had their habitual residence at the time of death. Where it is clear from all the circumstances that the deceased was manifestly more closely connected with another state, the law of that state may apply.

The Regulation also allows a *professio juris*, ie, a choice of the law of a state of which the person is a national (at the time of the choice or at the time of death) to govern their succession. This option is relevant for individuals with one or more nationalities who reside outside their state of nationality.

It is also possible, within the limits permitted by the applicable law, to enter into succession agreements (*pactos sucessórios*) concerning the estate of one or more persons.

Portuguese courts may refuse to apply a foreign law (including a law chosen by the deceased) if its application would be manifestly incompatible with Portuguese public policy (*ordem pública*).

Portugal does not levy an inheritance or estate tax as such. Instead, stamp duty (*imposto do selo*) applies to certain gratuitous transfers under the Stamp Duty Code (*Código do Imposto do Selo*) and the General Stamp Duty Table (*Tabela Geral do Imposto do Selo*). Gratuitous transfers on death or by gift to spouses, de facto partners (ie, a legal arrangement commonly known as a civil partnership), descendants and ascendants are exempt; other gratuitous transfers are generally subject to stamp duty at 10 per cent. In transfers of immovable property, a 0.8 per cent stamp duty is due on the property's taxable value, regardless of any exemption from the 10 per cent charge.

Unless otherwise stated, statutory references in this guide are to Portuguese legislation as in force on 16 April 2026, including the main tax codes as last consolidated and amended by Law No 73-A/2025 of 30 December 2025.

A. Will formalities and enforceability of foreign wills

Under Portuguese law, the most common form of will is the notarial will (*testamento público*).

A notarial will is drawn up and recorded by a notary in the official notarial records. Despite being a 'public' instrument, its contents remain confidential until the testator's death.

There is also the category of the sealed will (*testamento cerrado*). This kind of will is prepared by the testator (or by a third party on the testator's behalf) and presented to a notary for approval. The notary approves the will without taking cognisance of its contents, and issues a certificate of approval (*termo de aprovação*). The will must be signed by the testator, and a declaration, handwritten by the testator, must confirm that the document constitutes their last will. A sealed will need not be entirely handwritten by the testator; it may be typed or otherwise produced, provided the formal requirements are observed.

The sealed will, however, does not provide sufficient assurance since the notary fails to verify the legality of the testamentary provisions, and then it may be deemed as void following its reading.

Either form of will can be freely revoked. Revocation may be express (by a subsequent will or other testamentary instrument of equal or greater solemnity) or tacit (by a later will containing incompatible provisions). The revocation of a notarial will does not require a public deed, but must be effected through a valid testamentary act.

Under Portuguese conflict-of-law rules, a will is considered formally valid in Portugal if it complies with the formal requirements of at least one of the following laws:

- the law of the place where the will was executed (*lex loci actus*);
- the testator's personal law (ie, the law of nationality) at the time of making the will or at the time of death; or
- the law designated by the applicable conflict-of-law rules.

Additionally, where the testator's personal law at the time of execution prescribes a specific form as a condition of validity or effectiveness, that requirement must be satisfied, even if the will is executed abroad.

B. Foreign wills

Portuguese law recognises the validity of foreign wills on the basis of a general provision in the Portuguese Civil Code, which provides that legal acts executed abroad may be recognised in Portugal if they are considered lawful in the place of execution (*locus regit actum*).

However, the Portuguese Civil Code requires that foreign wills meet a minimum standard of formality, such as notarisation. According to established Portuguese case law, a will that satisfies the formal requirements of the foreign jurisdiction in which it was executed – for example, a will that is duly notarised, witnessed and apostilled – should generally be accepted as valid in Portugal.

Given the possibility that doubts may arise regarding the applicable law or the terms of the will, it is always advisable to draw up a will in Portugal that specifically refers to assets located on Portuguese territory; otherwise, the validation of the will may give rise to jurisdictional conflicts and require the filing of a probate application in order to ensure the validity of the testamentary dispositions.

II. Estate administration

A. Overview of administration procedures

While certain acts of disposition may require the involvement of all heirs, the majority of estate administration tasks fall within the responsibility of the administrator of the estate (*cabeça-de-casal*).

Under the Portuguese Civil Code, the role of administrator is conferred upon one of the following individuals, in the order listed below, regardless of whether any of them reside outside Portugal:

- the surviving spouse (provided he or she is not judicially separated), where such spouse is either an heir or holds an interest in the marital property;
- the executor (*testamenteiro*), unless the testator has provided otherwise;
- blood relatives who are intestate heirs, with preference given first to those most closely related by degree, then to those who cohabited with the deceased for at least one year prior to death, and finally to the eldest; and
- testamentary heirs or same category heirs, with preference given to those who cohabited with the deceased for at least one year prior to death, and thereafter to the eldest.

If the administrator either declines the appointment (*escusa*) or fails to fulfil their duties, a new administrator must be appointed by the court. This may be initiated at the request of any interested party or by the Public Prosecutor (*Ministério Público*).

The distribution of the estate's assets (*partilha*) is formalised either by notarial deed (*escritura pública*), where all interested parties (if applicable) agree, or through judicial inventory proceedings (*inventário*). Any heir may challenge the partition through judicial proceedings. The administrator is responsible for managing the deceased's assets, including any property held jointly with the surviving spouse, until the partition is finalised.

It should be noted that undivided estates (*heranças indivisas*) are treated as legal persons for the purposes of the additional municipal property tax (*adicional ao imposto*

municipal sobre imóveis – AIMI), unless the administrator submits a declaration identifying all heirs and their respective shares.

B. Intestate succession and forced heirship

Portuguese law recognises three primary forms of succession:

- forced heirship (*sucessão legitimária*): a mandatory reserved portion of the estate (the *legítima*) allocated to certain protected heirs, which cannot be overridden by testamentary disposition;
- testamentary succession (*sucessão testamentária*): distribution of the estate in accordance with a valid will; and
- intestate succession (*sucessão legítima*): applies where the deceased has not disposed, or has not validly disposed, of all or part of the estate by will.

Under the forced heirship regime, a statutory reserved portion (*legítima*) must be set aside for the spouse and direct descendants or (failing those) ascendants. The size of the reserved portion varies depending on the composition of the surviving heirs:

- spouse and descendants: two-thirds of the estate;
- spouse and ascendants: two-thirds of the estate;
- spouse alone: one-half of the estate;
- descendants only (one child): one-half of the estate;
- descendants only (two or more children): two-thirds of the estate;
- ascendants only (parents): one-half of the estate; and
- ascendants only (grandparents or more remote): one-third of the estate.

The disposable portion (*quota disponível*), ie, the remainder of the estate, may be freely distributed by will or, in the absence of a will, passes to the intestate heirs in accordance with the statutory order of succession.

The intestate heirs are called to the succession in the following order of priority:

1. spouse and descendants;
2. spouse and ascendants;
3. siblings and their descendants;
4. other collateral relatives up to the fourth degree; and
5. the Portuguese state.

C. Marital property

Portuguese family law recognises three matrimonial property regimes (*regimes de bens*):

1. COMMUNITY OF ACQUESTS (*COMUNHÃO DE ADQUIRIDOS*)

This is the default regime (*regime supletivo*) applicable in the absence of a prenuptial agreement. Under this regime:

- each spouse retains sole ownership of assets acquired before the marriage or received by inheritance or gift during the marriage; and
- assets acquired after the marriage, other than by succession or gift, or, where it is proven that they were acquired from personal assets obtained in accordance with the same criteria, or prior to the marriage, form part of the community property and are jointly owned by both spouses.

2. SEPARATION OF PROPERTY (*SEPARAÇÃO DE BENS*)

Under this regime, each spouse retains separate ownership of all their assets, whether acquired before or during the marriage. The administration and disposal of such assets are not affected by marital status.

This regime is mandatory (*imperativo*) in the following circumstances:

- where the marriage is celebrated without the preliminary marriage process (*processo preliminar de casamento*); or
- where either spouse has reached 60 years of age at the time of the marriage.

3. UNIVERSAL COMMUNITY OF PROPERTY (*COMUNHÃO GERAL DE BENS*)

Under this regime, all assets, whether acquired before or during the marriage, become joint property of the spouses, with certain statutory exceptions. The prenuptial agreement may exclude specific assets from the community. Assets acquired by inheritance or gift may also be excluded if the deceased or donor so stipulates.

The chosen matrimonial property regime has significant implications for succession. Under any community regime, the surviving spouse is entitled to one-half of the community property (*meação*), with only the remaining half forming part of the deceased's estate for inheritance purposes.

Note: regardless of the matrimonial property regime, all spouses are heirs to one another if the marriage is still in force at the time of death, unless the right to inherit has been waived under the regime of separation of property.

D. International couples

Council Regulation (EU) 2016/1103 of 24 June 2016, applicable from 29 January 2019, introduced uniform conflict-of-law rules governing matrimonial property regimes for international couples. The Regulation aims to clarify property rights for couples in cross-border situations, simplifying the management and division of property upon death, divorce, or separation, and eliminating conflicting proceedings across different EU Member States.

Under the Regulation, in the absence of a choice of law by the spouses, the applicable law is generally that of the state of the spouses' first common habitual residence after the marriage. Alternatively, the spouses may agree to designate the law of the state of either spouse's nationality or the law of the state of their habitual residence at the time of the agreement.

E. Spousal renunciation of forced heirship

A recent legislative amendment to the Portuguese Civil Code now permits spouses to reciprocally renounce their status as forced heirs through a prenuptial agreement (*convenção antenupcial*), provided that the matrimonial property regime adopted is that of separation of property (*separação de bens*), whether by choice or by operation of law.

This mechanism may be particularly valuable for blended families, allowing spouses to safeguard the inheritance rights of descendants from previous relationships.

Notwithstanding the renunciation:

- the surviving spouse retains a right of residence (*direito de habitação*) in the family home for a period of five years, which may be extended by the court, or held for life if the spouse was at least 65 years of age at the time of the succession; and

- the surviving spouse's right to maintenance (*alimentos*) and entitlement to social security death benefits remain unaffected.

F. Tax treatment of gifts and inheritances between spouses

Gifts and inheritances between spouses, de facto partners (ie, a legal arrangement commonly referred to as a civil partnership), descendants and ascendants are exempt from stamp duty. Transfers to other individuals, including collateral relatives, friends, or unrelated parties, are generally subject to stamp duty at a rate of 10 per cent.

In the case of transfers (gifts) of immovable property (during the lifetime of the donor), a 0.8 per cent stamp duty is due on the property's taxable value, regardless of any exemption from the 10 per cent charge.

III. Trusts and fiduciary structures

A. Treatment of trusts under Portuguese law

For the purposes of this section, the following terminology is adopted: a trust (referred to in Portuguese tax legislation as an *estrutura fiduciária*) is a common law arrangement for which there is no direct equivalent under Portuguese civil law. The settlor (*constituinte*) is the person who establishes the trust; the trustee (*fiduciário* or *administrador fiduciário*) is the person who holds legal title to the trust assets for the benefit of others; and the beneficiary (*beneficiário*) is the person entitled to benefit from the trust. The concept of a fiduciary relationship (*relação fiduciária*) is central to the Portuguese tax treatment of trusts.

Portuguese law does not recognise trusts as entities with separate legal personality or as autonomous patrimonies. Instead, a trust is generally characterised as a contractual arrangement between the settlor, the trustee and the beneficiaries, particularly where beneficiaries hold managerial rights or enforceable entitlements to distributions. Notwithstanding the absence of domestic recognition, trusts validly constituted under foreign law may be recognised for certain purposes under private international law principles.

The critical issue is whether a fiduciary relationship (*relação fiduciária*) is deemed to exist, as this will determine the applicable tax treatment. Where a trust is both irrevocable

and fully discretionary, and the settlor retains no powers, no fiduciary relationship is considered to be established between the settlor and the trustee. Similarly, beneficiaries with no control rights are not considered to be in a fiduciary relationship with the trustee until a distribution actually occurs.

By contrast, a fiduciary relationship is generally deemed to exist where beneficiaries act as trust protectors or otherwise hold powers capable of influencing the trustee's decisions (including, for instance, through letters of wishes). Similarly, a fiduciary relationship may arise where the settlor retains powers over the trust or is able to direct or influence the trustee, whether directly or indirectly (including through a third party).

Trust assets transferred to a trustee are treated as forming part of the trustee's personal estate, without legal segregation. In this context, where a trust is intended to hold Portuguese assets – particularly immovable property – it is generally advisable to interpose a corporate vehicle (such as a private limited liability company or a public limited company – *sociedade por quotas* or *sociedade anónima*) in order to ensure a degree of legal separation through the use of an entity with separate legal personality.

As of April 2026, no specific legislation governing trusts has been enacted in Portugal, notwithstanding prior government announcements.

B. Taxation of trusts and fiduciary structures

The 2015 reform of personal income tax (IRS) introduced specific provisions for the taxation of fiduciary structures (*estruturas fiduciárias*), including trusts.

1. TAXATION UPON LIQUIDATION, REVOCATION, OR TERMINATION

Amounts received upon the liquidation, revocation, or termination (*liquidação, revogação ou extinção*) of a fiduciary structure are taxed as follows.

- Settlors (*constituintes*): taxed as capital gains under Category G of IRS, generally at the standard rate of 28 per cent or at an aggravated rate of 35 per cent (where the structure is domiciled in a jurisdiction subject to a clearly more favourable tax regime, including jurisdictions listed on the Portuguese 'blacklist'). Such taxation should apply on a net gain basis, so that the value originally contributed by the settlor to the fiduciary structure should, in principle, be taken into account as the relevant tax basis upon liquidation, revocation or termination.

- Non-settlor beneficiaries: as a rule, subject to stamp duty at a rate of 10 per cent, on the basis that such transfers are deemed gratuitous. This charge follows the territoriality principle and therefore applies only to assets located, or deemed to be located, in Portugal. Non-settlor beneficiaries who are spouses, *de facto* partners, descendants or ascendants are exempt from Portuguese stamp duty, the distribution being treated as an inheritance for these purposes. Other non-settlor beneficiaries remain subject to stamp duty at 10 per cent.

2. TAXATION OF ONGOING DISTRIBUTIONS

Amounts distributed or made available to beneficiaries (whether settlors or non-settlors), other than in the context of liquidation, revocation or termination, are generally characterised as investment income and taxed under Category E of IRS, irrespective of their underlying economic nature.

Such income is, as a rule, subject to a flat rate of 28 per cent, or 35 per cent where the fiduciary structure is deemed to be domiciled in a jurisdiction subject to a clearly more favourable tax regime.

3. DOMICILE OF FIDUCIARY STRUCTURES

For the purposes of the above rules, a fiduciary structure is deemed to be 'domiciled' in a jurisdiction subject to a clearly more favourable tax regime where: (1) the trustee's registered office or place of effective management is located in such jurisdiction; or (2) in the case of an individual trustee, the trustee is tax resident in that jurisdiction.

Jurisdictions considered to have a clearly more favourable tax regime are determined under Portuguese law, including by reference to the official list set out in a ministerial order.

4. PRACTICAL CONSIDERATIONS

From a practical perspective, the use of trust structures by Portuguese tax residents requires careful assessment.

In particular, it should be noted that Portuguese law only expressly contemplates the use of trust structures within the framework of the Madeira International Business Centre (*Centro Internacional de Negócios da Madeira* – CINM), under a specific offshore regime. In this context, the establishment of such structures should be approached with caution, as they may not achieve the intended tax efficiencies for Portuguese tax residents and may instead give rise to adverse tax consequences.

Additionally, taxpayers benefiting from special inbound regimes (namely, the non-habitual resident regime or the IFICI regime) should exercise particular caution when holding assets through trust structures. This is especially relevant where the trust is deemed to be domiciled in a jurisdiction subject to a clearly more favourable tax regime, in which case distributions may be subject to aggravated taxation (including a 35 per cent rate in certain circumstances).

Given the absence of a comprehensive statutory framework and the reliance on general tax principles, the Portuguese tax treatment of trusts remains highly fact-specific and should be assessed on a case-by-case basis.

Furthermore, the revised Portugal–United Kingdom Double Taxation Convention, applicable as from 2026, expressly addresses the treatment of trusts. These provisions may be particularly relevant in cross-border structures involving UK elements, notably in determining the allocation of taxing rights and access to treaty relief. Their practical application will, however, depend on the characterisation of the income and the position of the relevant parties.

C. Controlled foreign corporation rules

Portuguese-controlled foreign corporation (CFC) rules may apply where a Portuguese tax resident holds, directly or indirectly, at least 25 per cent of the share capital, voting rights, or rights to income or assets of a non-resident entity that is subject to a clearly more favourable tax regime under Portuguese law.

1. APPLICATION TO TRUSTS

Where a trust holds an interest in a CFC, individuals considered, for Portuguese tax purposes, to be in a fiduciary relationship with the trustee may be subject to attribution of the CFC's undistributed profits for Portuguese IRS purposes.

Such attributed income is classified as follows: Category B (business income), where the underlying participation or rights are connected to a commercial, industrial, or agricultural activity, or as Category E (investment income), in all other cases.

Tax paid under the CFC rules may, in principle, be credited against tax due upon subsequent distributions made by the trust, thereby mitigating potential economic double taxation.

2. DOCUMENTATION REQUIREMENTS

Taxpayers subject to the CFC regime are required to maintain adequate supporting documentation, including, in particular: the duly approved financial statements of the non-resident entity; documentation evidencing the chain of ownership and the relevant legal arrangements; and detailed tax computations demonstrating the equivalent Portuguese corporate income tax that would have been due.

3. EU/EEA EXCEPTION

The CFC rules do not apply where the non-resident entity is established in an EU/European Economic Area Member State, provided the taxpayer can demonstrate that the arrangement is grounded on valid economic reasons and reflects the carrying on of genuine economic activity.

D. Reporting obligations

Portuguese tax residents are required to disclose, in their annual tax return, assets held through fiduciary structures that are registered, domiciled or managed in blacklisted jurisdictions as defined under Portuguese law.

Failure to comply with these reporting obligations may give rise to administrative penalties and, in certain circumstances, to an extension of the applicable statute of limitations.

IV. Taxation

A. Personal income tax

Personal income tax (*imposto sobre o rendimento das pessoas singulares* – IRS) in Portugal applies to (1) individuals who are tax residents in Portugal and (2) non-resident individuals who derive income from Portuguese sources.

Tax residents are subject to IRS on their worldwide income, regardless of where such income is earned or paid. By contrast, non-residents are subject to IRS solely on income earned in Portugal or deemed to have a Portuguese source.

Tax residency is determined based on the individual's physical presence in Portugal and the existence of a habitual residence. An individual may also have split-year residence, meaning that they may be regarded as a tax resident in Portugal for part of the year and as a tax resident in another jurisdiction for the remainder of the same calendar year.

Under Portuguese tax law, an individual is considered a tax resident in Portugal for a given year if:

- the individual has been present in Portugal for more than 183 days, whether consecutive or not, within any 12-month period beginning or ending in the relevant tax year; or

- the individual has been present in Portugal for fewer than 183 days but maintains a dwelling in Portugal at any time during that period under circumstances suggesting an intention to hold it as a habitual residence.

Furthermore, Portuguese nationals who transfer their tax residence to a jurisdiction listed as having a clearly more favourable tax regime commonly referred to as a 'blacklisted jurisdiction', or 'tax haven' remain subject to Portuguese taxation as if they were tax residents in the year of departure and for the four subsequent years.

This anti-avoidance rule does not apply where the individual can demonstrate that the transfer is supported by valid reasons, such as temporary employment abroad for a Portuguese-domiciled employer. The deemed residency may cease before the end of the four-year period if the individual establishes tax residence in a non-blacklisted jurisdiction.

1. General income and deductions

Income earned by individuals is subject to IRS and is classified into six categories:

- Category A: Employment income

- Category B: Business and professional income

- Category E: Investment income

- Category F: Rental income

- Category G: Capital gains

- Category H: Pension income

After the application of category-specific deductions, income from the various categories is aggregated for the purposes of taxation. For Portuguese tax residents, such aggregation includes their worldwide income.

Exceptions apply to income subject to withholding tax at source at final rates or to specific autonomous taxation. In such cases, taxpayers may opt not to aggregate the relevant income, where permitted under the applicable legal provisions.

By contrast, non-residents are generally taxed on a source basis, without aggregation. However, individuals resident in an EU/EEA Member State may, under certain conditions, elect to be taxed in accordance with the rules applicable to Portuguese tax residents.

2. Employment income

Employment income is broadly defined under the IRS Code and encompasses all remuneration received from an employer, including salary, wages, bonuses, commissions, tax gross-ups, severance payments, pensions paid by the employer,

allowances, and benefits in kind (*rendimentos em espécie*), regardless of the origin or location of the payment.

Travel and subsistence allowances (*ajudas de custo*) for domestic and international travel, as well as mileage allowances (*subsídios de transporte*) and meal allowances (*subsídios de refeição*) exceeding the limits established for civil servants, are also treated as taxable employment income.

Taxpayers may deduct the following amounts from their employment income, subject to statutory limits:

- a specific deduction (*dedução específica*) of €4,587.09 (corresponding to 8.54 times the Social Support Index (*Indexante dos Apoios Sociais*, IAS));
- any compensation paid by the employee to the employer in connection with the unilateral termination of the employment contract; and
- trade union dues (*quotizações sindicais*), up to 1 per cent of gross income, increased by 100 per cent.

The specific deduction may be increased by the amount of mandatory contributions to social security schemes and lawful healthcare subsystems (*subsistemas de saúde*), or up to 75 per cent of 12 times the IAS, provided that the excess arises from compulsory fees paid to professional associations required for the exercise of the relevant activity.

3. BUSINESS AND PROFESSIONAL INCOME

Income derived from business and professional activities may be taxed under one of two regimes:

i. Simplified regime (*regime simplificado*)

The simplified regime is available to taxpayers who have not opted for the Organised Accounting Regime (*contabilidade organizada*) and whose gross annual income from business and professional activities did not exceed €200,000 in the immediately preceding tax year. Under this regime, taxable income is determined by applying statutory coefficients to gross income, depending on the nature of the activity (eg, 0.15 for sales of goods, 0.75 for professional services listed in the relevant statutory table, and 0.35 for other services).

The deemed deduction resulting from the application of these coefficients is partially contingent upon the substantiation of expenses and charges incurred in connection with the activity. Where 15 per cent of gross income exceeds the amount of documented deductible expenses, the difference is added back to the taxable base.

ii. Organised accounting regime

Under the organised accounting regime (*contabilidade organizada*), taxable income corresponds to the net profit derived from the business or professional activity, as determined in accordance with accounting standards and adjusted in line with the provisions of the Corporate Income Tax Code (*Código do IRC*), applied *mutatis mutandis*.

4. INVESTMENT INCOME

Investment income, including dividends and interest, is generally subject to a flat autonomous rate of 28 per cent, applied either by way of withholding tax at source (*retenção na fonte a título definitivo*) or, where withholding does not apply, by way of a special rate (*taxa especial*).

Taxpayers may elect to aggregate such income with their other categories of income, in which case the progressive IRS rates (currently ranging from 12.5 per cent to 48 per cent) will apply instead of the flat rate.

A foreign tax credit is available in respect of foreign-source investment income, capped at the lower of: (1) the foreign tax effectively paid; or (2) the Portuguese tax due on that income. Where the income arises from a jurisdiction with which Portugal has entered into a double taxation treaty (DTT), the credit may not exceed the maximum withholding tax rate provided for in the relevant treaty.

Interest income from current or savings accounts held with Portuguese banks is subject to the 28 per cent rate. Interest paid by non-resident entities to Portuguese tax residents is likewise generally subject to the same rate.

Investment income paid or made available to Portuguese tax residents by non-resident entities that do not have a permanent establishment in Portugal and are domiciled in jurisdictions with a clearly more favourable tax regime is subject to an aggravated rate of 35 per cent.

Due to the passive nature of investment income, the IRS Code does not provide for specific deductions under this category.

5. INCOME FROM IMMOVABLE PROPERTY

Rental income (*rendimentos prediais*) derived from the lease of immovable property located in Portugal is subject to the following autonomous rates:

- 25 per cent for residential lease agreements; and
- 28 per cent for all other lease agreements (commercial, mixed-use, etc).

Taxpayers may elect to aggregate rental income with their other categories of income, in which case the progressive IRS rates apply (up to 48 per cent).

i. Rate reductions for long-term residential leases

The autonomous tax rate is reduced for long-term residential lease agreements, as follows:

- contracts with a term of five years or more but less than ten years: the rate is reduced by ten percentage points, to 15 per cent. Each renewal for an equivalent period grants an additional reduction of two percentage points, up to a maximum cumulative reduction of ten percentage points;
- contracts with a term of ten years or more but less than 20 years: the rate is reduced by 15 percentage points, to 10 per cent; and
- contracts with a term of 20 years or more: the rate is reduced by 20 percentage points, to 5 per cent.

ii. Option to treat rental income as Category B

By election, taxpayers may treat rental income arising from the regular leasing of properties as business and professional income (Category B). In such cases, taxable income must be determined in accordance with the rules applicable to Category B (ie, simplified regime or organised accounting), rather than those applicable to Category F (ie, rental income).

iii. Deductible expenses

All expenses effectively incurred and paid by the taxpayer for the purpose of obtaining or maintaining rental income are deductible, with the exception of:

- financial expenses;
- depreciation;
- costs relating to furniture, appliances, and decorative items; and
- the additional municipal property tax (AIMI).

For properties subject to horizontal ownership (eg, apartments in a condominium), deductible expenses include amounts legally borne by the condominium and effectively paid by the taxpayer (eg, condominium fees and extraordinary contributions).

Expenses incurred and paid in the 24 months preceding the commencement of the lease, relating to maintenance and repair works, are also deductible, provided that the property has not been used for any purpose other than leasing during that period.

6. CAPITAL GAINS

Capital gains (*mais-valias*) arising from the disposal of assets are classified as Category G income. The applicable tax treatment differs depending on whether the gains relate to movable assets (eg, shares) or immovable property.

As a general rule, capital gains derived from Portuguese-source assets are subject to taxation in Portugal, irrespective of whether they are realised by residents or non-residents, subject to applicable double taxation treaties.

i. Capital gains on movable assets (eg, shares)

Capital gains arising from the disposal of shares and other movable assets are generally subject to a flat autonomous rate of 28 per cent.

A reduced rate of 14 per cent applies to gains derived from the disposal of shares or other equity interests in micro and small enterprises (*micro e pequenas empresas*), provided that such entities are not listed on a regulated market.

For non-residents, capital gains from Portuguese sources (other than those arising from real estate) are also subject to a flat rate of 28 per cent.

ii. Capital gains on immovable property

The tax treatment of capital gains arising from the disposal of immovable property (*bens imóveis*) is currently aligned for Portuguese tax residents and non-residents, following recent legislative changes.

Accordingly, only 50 per cent of the net gain is subject to taxation, irrespective of the taxpayer's residence status. This portion is subject to mandatory aggregation (*englobamento obrigatório*) with the taxpayer's other income and taxed at the applicable progressive IRS rates (currently ranging from 12.5 per cent to 48 per cent).

In the case of non-residents, the determination of the applicable progressive rate requires the aggregation of the relevant income with the taxpayer's worldwide income, solely for rate-setting purposes, in accordance with the rules applicable to Portuguese tax residents.

iii. Principal residence exemption

Capital gains derived from the disposal of a property that constitutes the taxpayer's principal residence (*habitação própria e permanente*) may be fully or partially exempt from taxation, provided that the proceeds from the sale, net of any outstanding mortgage related to the acquisition of the property, are reinvested in the acquisition, construction or improvement of another principal residence located in Portugal or in another EU or EEA Member State, within 36 months after the sale or 24 months prior thereto.

iv. Exemption for taxpayers aged 65 or over

A full or partial exemption may also apply where the seller is aged 65 or over at the time of disposal, provided that the sale proceeds are reinvested in a qualifying life insurance contract, an individual retirement savings plan (*plano poupança reforma – PPR*), or a similar financial product, within six months of the disposal.

v. Calculation of taxable gain

The taxable capital gain is generally calculated as the difference between the disposal value and the acquisition value of the property.

In the case of real estate, the acquisition value is adjusted for inflation through the application of monetary correction coefficients, published annually by ministerial order, provided that at least 24 months have elapsed between the acquisition and disposal dates.

Deductible expenses include, in particular:

- acquisition and disposal costs (eg, notary, legal, and registration fees);
- real estate transfer tax (*imposto municipal sobre as transmissões onerosas de imóveis* – IMT);
- brokerage commissions; and
- documented costs of improvements carried out within the 12 years preceding the disposal.

vi. Taxation of crypto-assets

Since 2023, gains arising from the disposal of crypto-assets (*criptoativos*) held for less than 365 days are subject to taxation as capital gains under Category G, generally at a rate of 28 per cent. Crypto-assets held for a period exceeding 365 days are, as a rule, exempt from taxation, unless the gains are derived within the scope of a business or professional activity.

Income derived from staking, mining, or other crypto-related activities may be classified either as investment income (Category E) or as business and professional income (Category B), depending on the specific circumstances.

7. PENSION INCOME

Pension income (*rendimentos de pensões*) is classified as Category H income.

A specific deduction (*dedução específica*) of up to €4,462.15 (corresponding to 8.54 times the IAS) applies to pension income, effectively excluding pension income up to this amount from taxation. Where pension income exceeds this threshold, only the excess is subject to the progressive IRS rates.

8. PERSONAL INCOME TAX RATES

Portuguese tax residents are subject to progressive personal income tax rates on their worldwide income, currently ranging from 12.5 per cent to 48 per cent, as follows:

- Up to €8,342: 12.5 per cent;
- €8,342 to €12,587: 15.7 per cent;
- €12,587 to €17,838: 21.2 per cent;
- €17,838 to €23,089: 24.1 per cent;
- €23,089 to €29,397: 31.1 per cent;
- €29,397 to €43,090: 34.9 per cent;
- €43,090 to €46,566: 43.1 per cent;
- €46,566 to €86,634: 44.6 per cent; and
- above €86,634: 48 per cent

Non-residents are subject to Portuguese tax only on income deemed to arise from Portuguese sources. This includes not only income attributable to activities physically carried out in Portugal, but also remuneration paid by a Portuguese entity or by a permanent establishment located in Portugal.

As a general rule, non-residents are taxed at a flat rate of 25 per cent on employment and self-employment income, although specific exceptions, special rates, or optional regimes may apply depending on the nature of the income and the taxpayer's circumstances.

i. Solidarity surcharge (*taxa adicional de solidariedade*)

In addition to the standard progressive rates, an additional solidarity surcharge applies to higher levels of taxable income:

- a surcharge of 2.5 per cent applies to the portion of taxable income exceeding €80,000 and up to €250,000; and

- a surcharge of 5 per cent applies to the portion of taxable income exceeding €250,000.

9. GIFT AND INHERITANCE TAX

Portugal does not levy a gift tax (*imposto sobre doações*) or an inheritance tax (*imposto sucessório*) as such. Instead, gratuitous transfers are subject to stamp duty under the Stamp Duty Code and the General Stamp Duty Table.

Transfers upon death or by way of gift between spouses, de facto partners, descendants, and ascendants are exempt from stamp duty. Transfers to other individuals, including collateral relatives, friends, or unrelated parties, are generally subject to stamp duty at a rate of 10 per cent.

In the case of transfers of immovable property, stamp duty at a rate of 0.8 per cent is levied on the taxable value of the property, irrespective of any exemption applicable to the 10 per cent charge.

i. Wealth tax

Portugal does not impose a general wealth tax (*imposto sobre a fortuna*) or any specific tax on large estates or significant net worth. The only tax with wealth-like characteristics is the AIMI, which is levied on the aggregate taxable value of certain urban properties, notably residential properties and building land, exceeding €600,000 (see Section C.2.b).

ii. Disclosure of foreign bank accounts

Portuguese tax residents are required to disclose the existence of foreign bank accounts in their annual income tax return, including the identification of the relevant accounts (eg, IBAN and BIC).

Failure to comply with this obligation may result in administrative penalties and may lead to an extension of the statute of limitations for tax assessments. In more serious cases, non-disclosure may also trigger liability under the General Tax Offences Regime (*Regime Geral das Infrações Tributárias* – RGIT).

10. TAX ON THE SALE OF SECOND-HAND VALUABLE GOODS

Capital gains arising from the occasional disposal of second-hand movable personal assets (eg, art, vehicles, jewellery, and other collectibles) are generally not subject to taxation, provided that such transactions do not qualify as a business or professional activity.

Where the disposal of such assets is carried out on a regular, organised, or systematic basis, the income may be reclassified as business and professional income (Category B) and taxed accordingly.

B. Double taxation agreements

Portugal has concluded an extensive network of DTTs (*convenções para evitar a dupla tributação* – CDT), with approximately 80 agreements currently in force worldwide. These treaties are intended to prevent the same income from being taxed in both contracting states and to allocate taxing rights between the state of source and the state of residence.

Under these agreements, withholding tax (WHT) rates on outbound payments of dividends, interest, and royalties are typically reduced where the beneficial owner

(*beneficiário efetivo*) of the income is a tax resident in the other contracting state and the relevant treaty conditions are met. The applicable rates generally do not exceed:

- 15 per cent in the case of dividends (often reduced to 10 per cent or 5 per cent for qualifying corporate shareholders);
- 10 per cent in the case of interest; and
- in the case of royalties, taxation is, in many treaties, either subject to reduced rates or allocated exclusively to the state of residence, depending on the specific provisions of the relevant treaty.

1. MULTILATERAL INSTRUMENT (MLI)

Portugal is a signatory to the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (*Convenção Multilateral* – MLI), adopted under the OECD/G20 BEPS framework. The application of this convention may modify the interpretation and application of existing double taxation treaties, particularly with regard to anti-abuse provisions, the principal purpose test (PPT), and rules relating to permanent establishments and hybrid mismatches.

Taxpayers and advisers should verify whether the MLI has been ratified and has entered into force with respect to the specific treaty jurisdiction in question, as well as whether any reservations or notifications have been made by either contracting state.

C. Real estate taxes

1. REAL ESTATE TRANSFER TAX

Real estate transfer tax (*imposto municipal sobre as transmissões onerosas de imóveis* – IMT) is a municipal tax levied on the onerous transfer of immovable property located in Portugal, including acquisitions by way of sale, exchange or other transactions deemed equivalent to a transfer for IMT purposes.

The tax is assessed on the higher of: (1) the purchase price stated in the acquisition deed; or (2) the official taxable value (*valor patrimonial tributário* – VPT) recorded with the tax authorities.

i. Residential properties

For residential properties intended for permanent habitation, progressive IMT rates apply, ranging from 0 per cent (for lower-value acquisitions) up to 8 per cent (for higher-value acquisitions), depending on the acquisition value. Transactions with a value exceeding €660,982 and up to €1,150,853 are subject to a marginal rate of 6 per cent, while transactions exceeding €1,150,853 are subject to a marginal rate of 7.5 per cent.

Where the buyer is resident or domiciled in a jurisdiction classified as having a clearly more favourable tax regime, an aggravated rate of 10 per cent applies, irrespective of the type or intended use of the property.

ii. Commercial and other properties

For commercial, industrial, or other non-residential properties, IMT is levied at a flat rate of 6.5 per cent.

iii. Additional IMT exemptions

Certain exemptions may apply, including:

- acquisitions by credit institutions in the context of mortgage enforcement or debt-to-asset swaps, provided the property is subsequently disposed of within five years;
- acquisitions for resale by licensed real estate traders, subject to resale within three years; and
- acquisitions of properties classified as national heritage or of public interest.

2. MUNICIPAL PROPERTY TAX

Municipal property tax (*imposto municipal sobre imóveis* – IMI) is an annual tax levied on the official taxable value (*valor patrimonial tributário* – VPT) of urban and rural properties located in Portugal. The tax is payable by the registered owner (or usufructuary or superficiary) as at 31 December of the relevant tax year.

i. IMI rates

For urban properties, the applicable IMI rate is set annually by each municipality within a range of 0.3 per cent to 0.45 per cent of the VPT.

For rural properties, a fixed rate of 0.8 per cent applies.

Where the property is owned by entities resident or domiciled in jurisdictions classified as having a clearly more favourable tax regime, an aggravated IMI rate of 7.5 per cent applies.

3. ADDITIONAL MUNICIPAL PROPERTY TAX

In addition to IMI, an additional municipal property tax (AIMI) applies to the aggregate taxable value of certain urban properties, notably residential properties and building land, owned by individuals and companies, to the extent that such value exceeds €600,000.

i. Taxable base

The AIMI taxable base corresponds to the aggregate VPT of relevant properties held as at 1 January of the relevant tax year.

ii. Deductions

- individuals and undivided estates (*heranças indivisas*): €600,000 deduction;
- married couples or partners in a legally recognised relationship (*união de facto*) opting for joint taxation: €1,200,000 combined deduction; and
- properties benefitting from an IMI exemption in the preceding year are excluded.

iii. AIMI rates

Individuals

- 0.7 per cent on taxable value between €600,000 and €1,000,000;

- 1 per cent above €1,000,000; and
- additional 1.5 per cent above €2,000,000 (where progressive rates apply).

Companies

- 0.4 per cent as a general rule;
- 0.7 per cent where the entity is resident in a tax haven; and
- 7.5 per cent where the property is held by entities domiciled in blacklisted jurisdictions.

Undivided estates

- 0.7 per cent, unless transparency is elected (heirs identified), in which case taxation occurs at the level of each heir.

4. STAMP DUTY

Stamp duty (*imposto do selo*) is a transactional tax applicable to a wide range of acts, contracts, documents, and legally relevant events, as listed in the General Table annexed to the Stamp Duty Code.

The tax is due where such acts are deemed to occur in Portugal and are not subject to VAT or are exempt therefrom.

i. Stamp duty on real estate transfers

In the case of real estate transfers, stamp duty is levied at a rate of 0.8 per cent on the taxable value, determined on the same basis as IMT (ie, the higher of the purchase price or the VPT).

This charge applies in addition to IMT and is due irrespective of any IMT exemptions.

5. REAL ESTATE INVESTMENT FUNDS

Real estate investment funds (*fundos de investimento imobiliário* – FII), also referred to as REIFs, are collective investment vehicles governed by a special joint ownership regime (*regime de comunhão*). Investors' interests are represented by fund units (*unidades de participação*), and the assets are managed by an authorised management company (*sociedade gestora*).

i. Types of REIFs

REIFs may be structured as:

- open-ended funds (*fundos abertos*);
- closed-ended funds (*fundos fechados*); and
- mixed funds (*fundos mistos*).

They may also be classified as:

- distribution funds (*fundos de distribuição*); and

- capitalisation funds (*fundos de capitalização*).

Specialised REIFs may target specific investor segments and may invest in mixed-use and rural properties, rights *in rem* (*direitos reais de gozo*), and derivative financial instruments.

ii. Regulatory framework

REIFs are supervised by the Portuguese Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM), without prejudice to the supervisory role of the Bank of Portugal.

iii. Taxation of REIFs

REIFs benefit from a special tax regime. At fund level, income and gains are generally exempt from corporate income tax (IRC), although property taxes (IMI, AIMI, IMT) and certain stamp duties may apply.

Taxation generally arises at the level of the unit holders upon distribution or redemption.

6. VALUE ADDED TAX

As a general rule, the transfer of immovable property and the transfer of shares are exempt from VAT under Article 9 of the Portuguese VAT Code (Código do IVA).

i. Waiver of VAT exemption

The seller may elect to waive the VAT exemption (*renúncia à isenção*), provided that:

- the property is used for VATable business activities; and
- both parties are VAT-registered and comply with applicable formalities.

Where the exemption is waived, VAT applies at the standard rate (23 per cent mainland, 22 per cent Madeira, 18 per cent Azores), and input VAT may be deducted or recovered.

The waiver does not affect the applicability of IMT and stamp duty, which remain due under the general rules, without prejudice to any applicable exemptions.