



i-paye



**Guide to Contracting in
Portugal**



COUNTRY HIGHLIGHTS (2017)

PORTUGAL – Individual

Currency	Euro (€)
Tax Year	Starts 1 January Ends 31 December
Taxation Rates	First €7,035 at 14.50% Next €13,065 at 28.50% Next €20,100 at 37.00% Next €39,800 at 45.00% Next €170,000 at 50.50% (includes Solidarity Tax) Balance at 53.00% (includes Solidarity Tax)
Extra-Ordinary Surcharge	Above Minimum Wage at 3.21%
Social Security	Employees Social Security rate at 11.00% Employers Social Security rate at 23.75%

Tax Residency

An individual is resident if they are present in Portugal for 183 days or more in any twelve month period, or if the individual's main residence is located in Portugal they are present in Portugal for any day in the relevant year. Individuals that were not Portuguese resident in any of the five tax years before moving to Portugal may request a special non-habitual tax residency status for the next 10 years.

An individual who is Tax Resident is taxable on Worldwide Income except if exempt under a double taxation treaty.

An individual who is not Tax Resident is taxable in Portugal on Income earned or generated there.

Social Security

Social Security is payable in Portugal unless the individual is paying Social Security in the country in which their employer is based and they are habitually resident. A certificate of continuing liability to Social Security is required to exempt the individual from Portuguese Social Security.

Right to Work

EU and EEA Nationals have an unfettered right to work in the Portugal without the need to hold a VISA or Work Permit. However, all EU and EEA Nationals must register in with the local city hall if their stay exceeds 90 days.

Other Nationals, generally, need to have the relevant approval to work prior to their arrival in the Portugal with approval sought from the Portuguese Consulate or Embassy in their home country or country of residence.

I-PAYE Service

I-PAYE is registered as an employer in Portugal and all individuals are engaged on contracts of employment.

All income is reported to the Portuguese Tax Authorities, with deduction for expenses allowed under Portuguese Law. Any expenses that are reimbursed that are not allowed or are above published rates will be subject to Portuguese Taxation and Social Security at the appropriate rates.

I-PAYE will provide UK Nationals that habitually reside in the UK. I-PAYE will not normally seek to employ Portuguese or other European Nationals to assignments based in Portugal.

As an employee of I-PAYE then you simply would register as working in Portugal and the rest is down to US.

Frequently Asked Questions

Q. I currently work on a project in the United Kingdom through a PSC and have an assignment in Portugal, is it true that I can operate the same model in Portugal?

A. Under Portuguese Domestic Law a UK PSC may be considered as having a Permanent Establishment in Portugal, which means that all income derived by the business will be subject to Portuguese Taxation. No matter the taxation position of the company any employment income paid in respect of duties performed in Portugal will be subject to Portuguese Taxation and Social Security from day 1.

In addition any dividends payable to shareholders will be subject to Portuguese Dividend Taxation either at resident or non-resident rates.

Q. What happens if I choose to ignore the rules?

A. Portugal as with all European Countries may seek to apply the Mutual Assistance Recovery Directive (MARD) to request the UK and other Tax Authorities to collect any unpaid moneys due.

From 1 October 2017 new legislation has been enacted in the United Kingdom that means that any entity engaging in or with business that evades taxation in a Foreign Country will be subject to an unlimited fine. Failing to report income to the Portuguese Authorities is Tax Evasion, not avoidance, and under Portuguese Law would generally lead to a criminal conviction.

Q. I want to do it correctly where should I seek advice?

A. Unfortunately, the Portuguese Tax Office only provide advice in Portuguese and many of the general advice given on other websites is out of date. Specialist advice should be sought before going on assignment.

More information is available from I-PAYE on 0151 449 3500



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