



# EXPERIENCE AND EFFICIENCY TO GUIDE TAXES FOR EXPATS



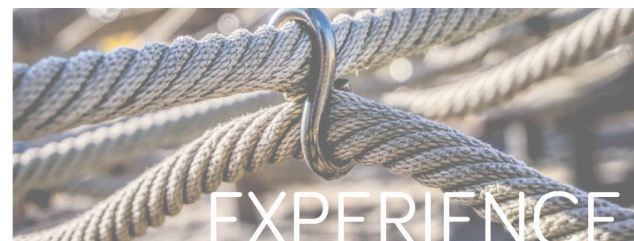
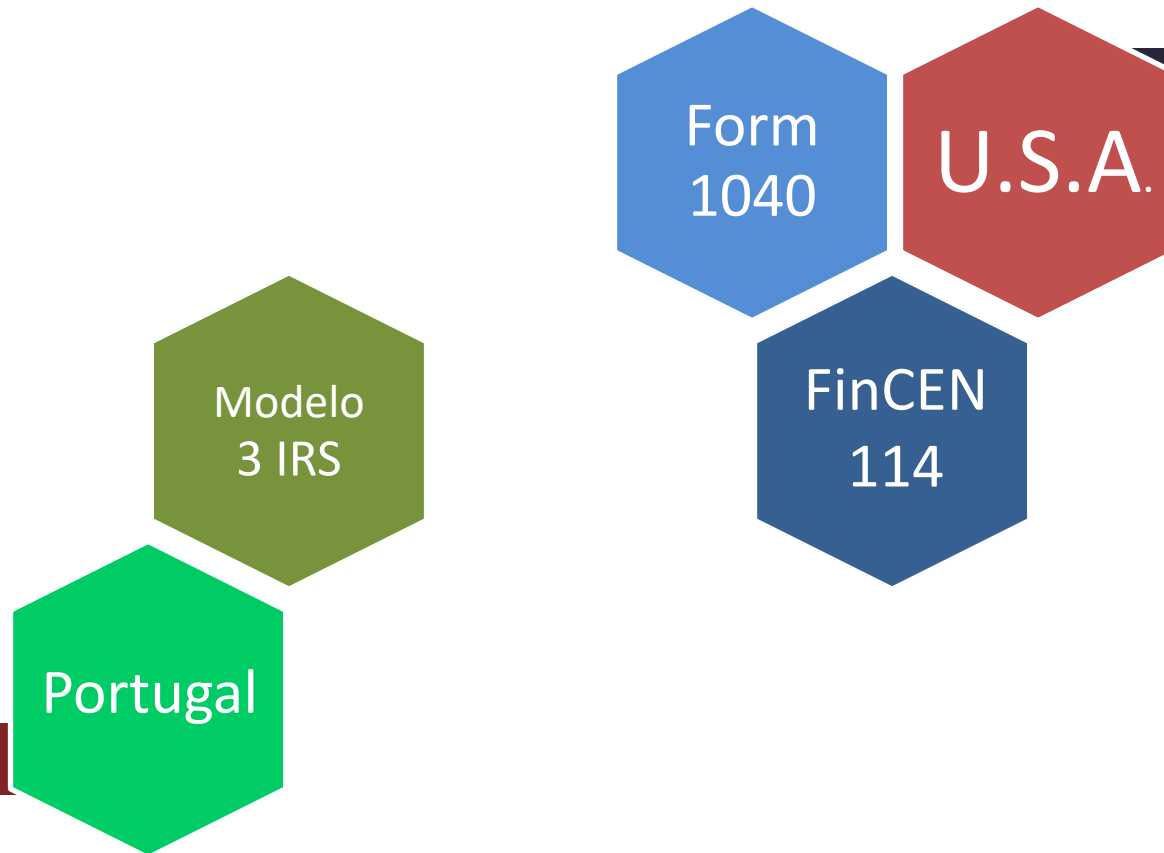
Fiscal obligations of  
U.S. Citizens in  
Portugal  
2025

SINCE 1965

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Contabilidade e Consultoria

 **U.S. TAX**  
CONSULTANTS

# Fiscal obligations of U.S. Citizens in Portugal

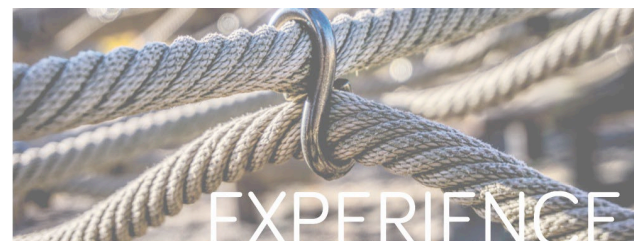


# Tax residency in Portugal

Tax year: from January 1st to December 31st.

## Who is tax resident in Portugal?

1. Individuals that are present in the Portuguese territory for more that 183 days during the calendar year, or
2. Those who, although not present for more than 183 days during the calendar year, are resident as of 31<sup>st</sup> December and will be more than 183 days in the following year, or
3. Members of sea or air crews on 31<sup>st</sup> December and those crews belong to a Portuguese registered entity, and
4. There are some minor exceptions which should be addressed individually



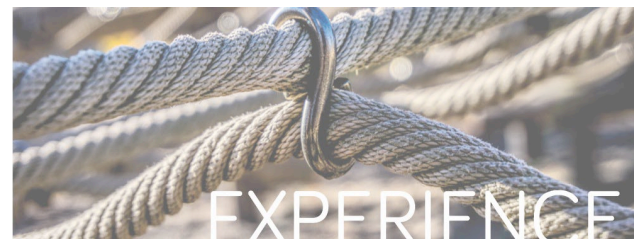
# Tax incidence in Portugal

## Tax residents in Portugal

- ✓ Taxed for their **worldwide income** regardless where the income has been generated or the tax residency of the income payer.
- ✓ Tax obligation:
  - **Modelo 3 IRS**

## Non-tax residents in Portugal

- ✓ Taxed for Portuguese source income only.
- ✓ Tax obligation:
  - **Modelo 3 IRS**





## Modelo 3 - IRS



## You do not have to file Modelo 3 - IRS if...

Income	Limit	Requirements
Employment income or Pension	8.500 €	Individual filling without withheld tax
Capital income with liberatory taxation	N.A.	Tax withheld at source
Income from EU Common Agricultural Policy	2.037,04 €	Can accumulate with Salaries or Pensions if, in total, don't exceed 4.350,24€
Income from "Atos isolados" – Casual freelance work	2.037,04 €	

### Please notice:

- ✓ Not possible to file jointly
- ✓ Modelo 3 – IRS is commonly required as proof of income for credit score
- ✓ If your income is under those circumstances, filing is straightforward

**ATTENTION: If there's bank accounts outside Portugal, then IRS Modelo 3 filing is mandatory!**

# Filing requirements

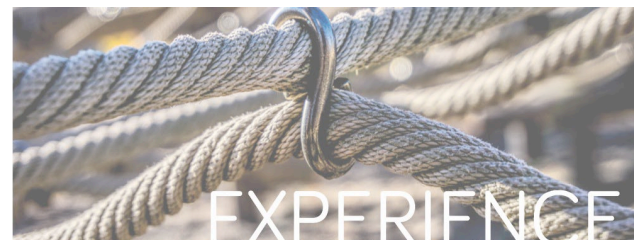
Tax form *Modelo 3 - IRS* is submitted from April 1<sup>st</sup> to June 30<sup>th</sup>

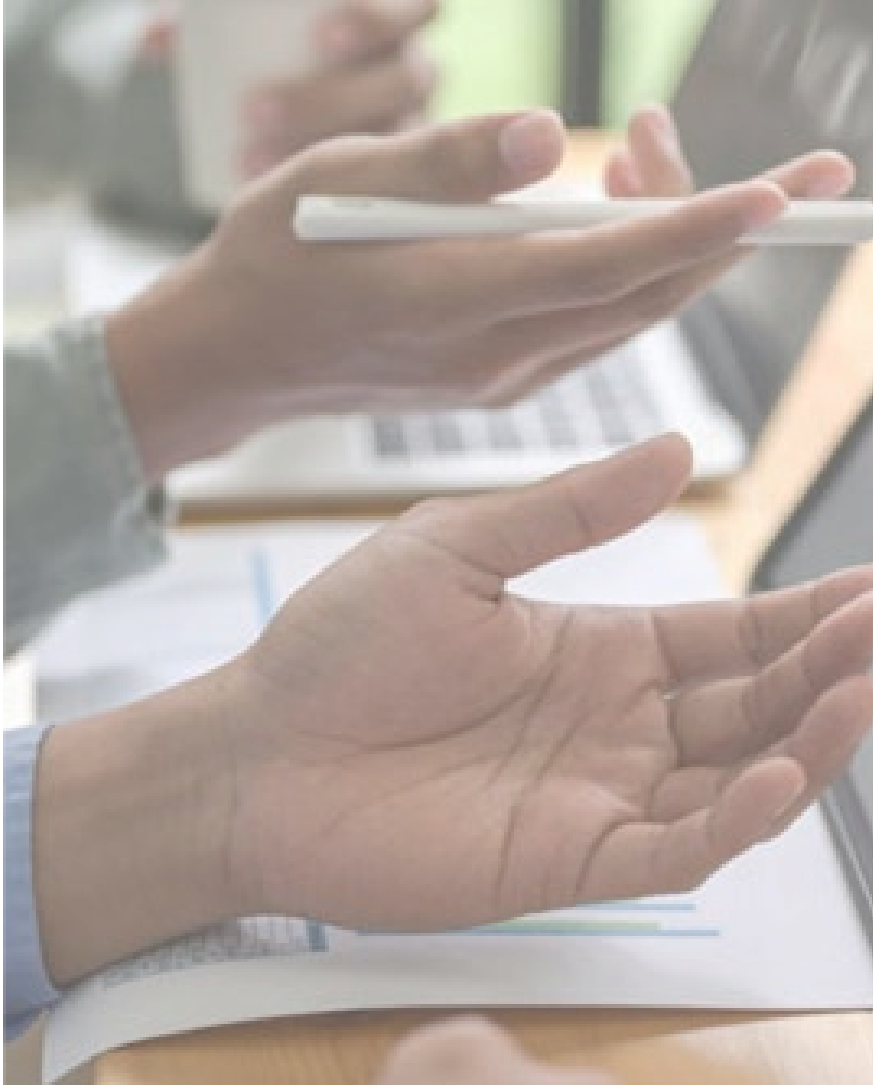
Documents in the process:

- After submission – Proof of submission (Comprovativo de Submissão)
- A few days later – Validated tax form (Comprovativo)
- A few days/weeks later – Tax Computation (Nota de Liquidação)

Result of the return:

- To be refunded: usually a few days after tax computation
- To pay – payment is due until the 31<sup>st</sup> August





# Fiscal Residents



## Family status

- ✓ Possibility of filing **jointly** or **individual return**.
- ✓ Option to be taxed jointly (it applies to all members of the family unit).
- ✓ Civil Union is equivalent to marriage (necessary same fiscal address registered)
- ✓ Children up to 25 (if income under 10.640€ and studying)
- ✓ Parents or Grandparents (if income under 4.472,16€)
- ✓ Does not condition future tax years.

## **GENERAL TAXABLE BASE**

Income taxed at progressive rates.

Main sources of income:

- Employment income
- Income from economic activities / Freelance work
- Property Capital Gains income

## **Personal Income Tax**

### **SPECIAL TAXABLE BASE**

Income taxed at flat rates.

Main sources of income:

- Capital Gains
- Long Term Rentals

# Tax Rates in Portugal

Income	Rate	Avg Rate
Up to 7.703€	13,00%	13,00%
From 7.703€ to 11.623€	16,50%	14,18%
From 11.623€ to 16.472€	22,00%	16,48%
From 16.472€ to 21.321€	25,00%	18,42%
From 21.321€ to 27.146€	32,00%	21,33%
From 27.146€ to 39.791€	35,00%	25,84%
From 39.791€ to 51.997€	43,50%	27,15%
From 51.997€ to 81.199€	45%	35,41%
Over 81.199€	48%	–

## Modelo 3 – IRS Annexes

- Category A – Salaries
- Category B – Freelance / Sole Trader
- Category C – Category B in Accountancy regime
- Category D – Pass-Through Entities income
- Category E – Financial income (dividends, interest...)
- Category F – Long Term Rentals
- Category G – Capital gains (Real Estate or Financial applications)
- Category H – Pensions
- Category J – Income obtained abroad / Foreign bank accounts
- Category L – NHR Status holders

## Progressive Tax Rates

- Category A – Salaries
- Category B – Freelance / Sole Trader
- Category C – Category B in Accountancy regime
- Category D – Pass-Through Entities income
- Category G – Real Estate Capital Gains
- Category H – Pensions
- Category J – Income obtained abroad (if included in previous categories)

## Liberatory Rates

- Category E – Financial income (dividends, interest...) – 28%
- Category F – Long Term Rentals – 25% / 28%
- Category G – Capital gains (Financial applications) – 28%
- Category J – Income obtained abroad (if included in previous categories under same taxes)
- Category L – NHR Status holders with applicable salaries (20%), freelance work (20%) or pensions (10%)

Note: It's always possible to apply progressive rates in these types of income



## Deductions

- Personal Expenses
  - Any personal expense grants a small deduction up to 250€
  - Health, Education, Transports, Restaurants, Hotels, Car Maintenance, Hairdressers, Vets, have specific deductions
- Category A – Salaries – 4.104€ or total paid to Social Security
- Category B – Freelance - No direct deductions, taxation is applied on theoretical profit depending on activity
- Category C – Tax applied over accountancy-based profit
- Category D - Tax applied over accountancy-based profit
- Category E – Financial Income – brokers costs

## Deductions

- Category F – Long Term Rentals
  - IMI – Property Tax
  - Condominium / HOA Fees
  - Rehabilitation Costs
  - Maintenance Costs
  - Mandatory Insurance
  - Real Estate agency fees

## Deductions

- Category G – Real Estate Capital Gains
  - Taxes paid on purchase (IMT and Stamp Duty)
  - Purchase legal costs
  - Real Estate agency fees
  - Rehabilitation in last 12 years
  - Legal currency update rate
- Category G – Financial Capital Gains
  - Brokers fees
- Category J – Income Obtained Abroad
  - Tax paid in country of source



## Special Tax Status:

### *Non Habitual Resident (NHR / RNH)*

- ❖ The tax regime lasts for 10 years.
- ❖ Status to be requested until the 31<sup>st</sup> March of the year after becoming fiscal resident
- ❖ AT will issue a certificate granting it for 10 years under those exact conditions
- ❖ Applied on Annexe L of Modelo 3 – IRS
- ❖ 2023 was the last year of NHR. There's a transitory period for 2024, for those already preparing to move

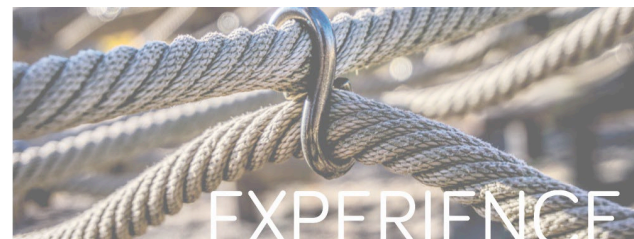
# NHR Advantages

## Internal Income

- ✓ 20% IRS cap on added know-how activities salaries or freelance work obtained in PT

## External Income

- ✓ Tax Exemption in Portugal for salaries or freelance income from added know-how activities, dividends, interest, rentals, Public Service Pensions and property capital gains
- ✓ 10% flat rate for Pensions Income



# IRS Jovem – Youth IRS

## Requirements

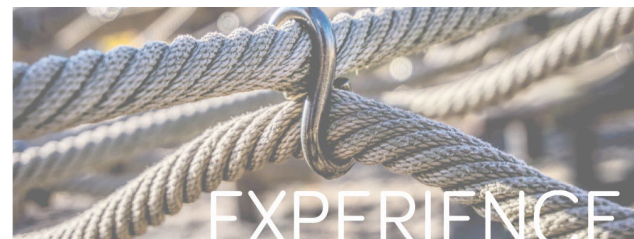
- ✓ less than 35 years old
- ✓ Regularized tax situation

## Exclusions

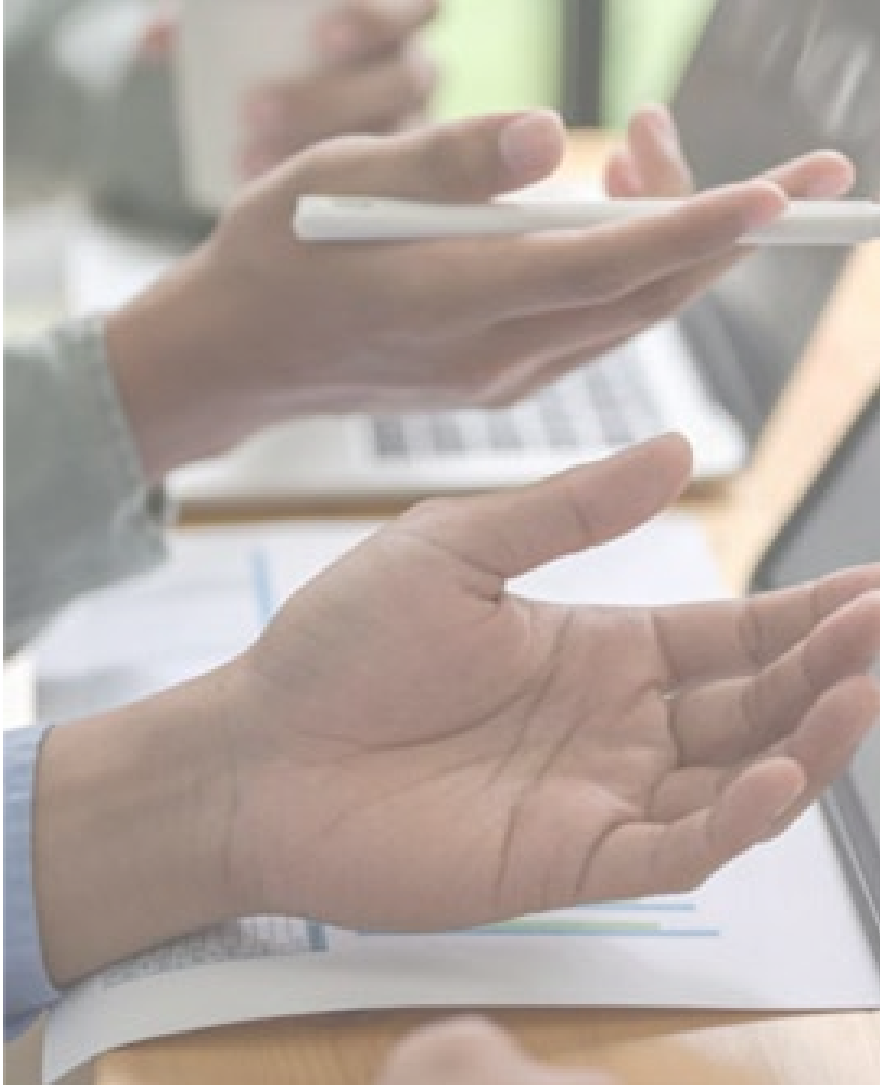
- ✓ Benefit (or have benefited) from the Non-Habitual Residency (NHR) regime.
- ✓ Participate in the Programa Regressar (Return Program for Portuguese nationals).
- ✓ Benefit from tax incentives for scientific research or innovation.

## Benefits

- ✓ Tax reduction over a 10-year period







# Non residents

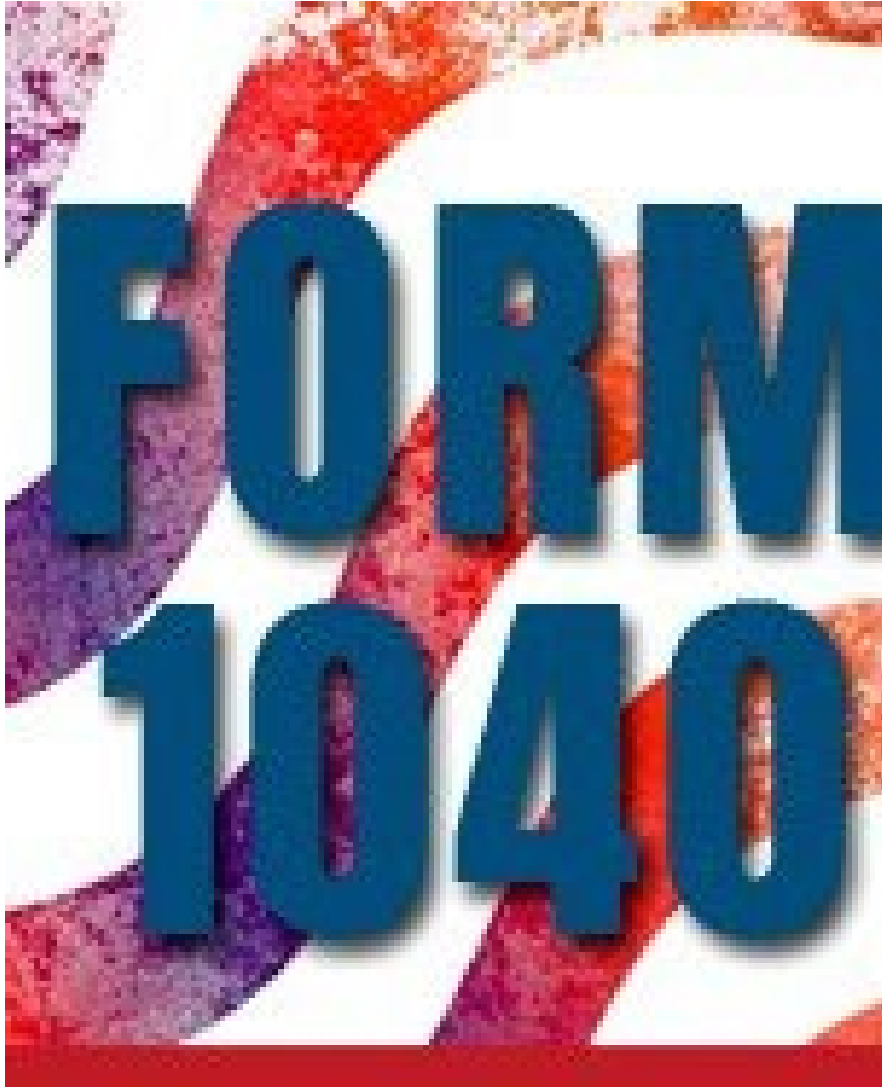
# Non-residents

Non-residents in Portugal are taxed only for Portuguese based income, mainly at flat rates.

Non-residents have no personal deductions, just each Category deductions

Applicable tax rates:

- Category A – Salaries – 25%
- Category B – Freelance / Sole Trader – 25% rate over theoretical profit
- Category C – Category B in Accountancy regime – 25%
- Category D – Pass-Through Entities income – 25%
- Category E – Financial income (dividends, interest...) – 28%
- Category F – Long Term Rentals – 25% / 28%
- Category G – Real Estate Capital gains – Progressive rates over 50% of the gain
- Category G – Capital gains (Financial applications) – 28%



# Form 1040

## Form 1040 U.S. Persons

- ✓ Must report worldwide income
- ✓ Earnings from self-employment <\$400
- ✓ Gross income: Single <65 \$13,850 & **MFS \$5**
- ✓ Due date: April 15<sup>th</sup>, automatic 2 months extension.
- ✓ Special considerations for taxpayers abroad:
  - Treaty between Portugal and the U.S.A. on no-double taxation
  - Foreign Earned Income Exclusion
  - Foreign Tax Credit
  - Foreign Information Reporting FATCA (entities, accounts, investments, etc...)

## Treaty

- ✓ **Treaty between Portugal and the U.S.A.**
  - Establishing the residency.
    - Anyone who resides in Portugal over 183 days is presumed to be Portuguese tax resident.
  - How and where to pay taxes.
  - Earned income, interest, dividends, capital gains, royalties, rents, pensions & annuities

## Credits and deductions

### ✓ Foreign Earned Income Exclusion

- Can exclude foreign earned income up to **\$126,500 for 2024**. Amounts adjusted for inflation annually
- **Must be earned income to qualify**
  - **Wages, Self-employment income, tips, etc...**
  - **Does not include passive income, such as: dividends, interest, capital gains, etc...**
- **Must be foreign income to qualify**
  - **Key factor is where service performed, not source of payment.**
    - i.e. salary from a U.S. employer can be excluded if your residence is in a foreign country



## Credits and deductions

- ✓ Foreign Tax Credit
  - Credit in the U.S. for *income* taxes paid abroad.
  - Must be paid during the applicable tax year.
  - Cannot take FTC for amounts excluded under Foreign Earned Income Exclusion
  - Unused credit can be carried back 1 year and carried forward 10 years
  - Foreign Tax Credit applies to self-employment tax through the Totalization Agreement between Portugal and the U.S. (Need Certificate of Coverage – Self employed)

# FATCA – Form 8938

## Foreign Account Tax Compliance Act

### ✓ FATCA - Foreign Account Tax Compliance Act

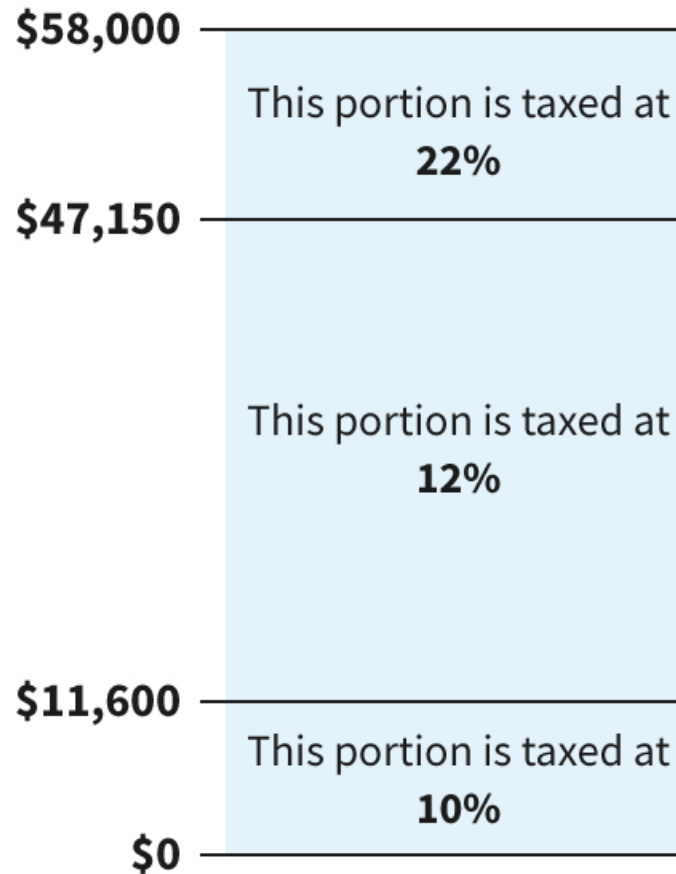
- Became Law March 18, 2010. Automatic exchange of information
- Used to report Foreign Financial Assets
  - **Foreign financial accounts**
  - **Foreign stock or securities**
  - **Ownership interest in a foreign entity**
  - **Financial instrument or contract with a foreign issuer or counterpart**
- Must file Form 8938 with your tax return (1040) if threshold exceeded:
  - **Single or MFS - \$200K year-end/\$300K anytime**
  - **MFJ - \$400K year-end/\$600K anytime**
- Special rules for allocating asset ownership between spouses

## 2024 progressive tax rates

Tax rate	on taxable income from . . .	up to . . .
10%	\$0	\$11,600
12%	\$11,601	\$47,150
22%	\$47,151	\$100,525
24%	\$100,526	\$191,950
32%	\$191,951	\$243,725
35%	\$243,726	\$609,350
37%	\$609,351	And up

## 2024 progressive tax rates.

Here's how it works for a single person with taxable income of \$58,000 per year.



## Form 1040



## What is new for 2024 Tax Return?

- Due date of return: June 16th
- Standart deductions amount increased:
  - S &MFS: \$14,600
  - MFJ: \$29,200
  - HoH: \$21,900
- CTC increased to \$2,000.  
\$1,700 refundable.



# FBAR



## FBAR Foreign Bank Account Report

Since 1970 any US person who has financial interest in or signature authority over any financial account(s) located outside the U.S. is required to electronically file a FinCEN Form 114, former TDF 90-22.1, if the aggregate value of these accounts exceeds \$10,000 at any time during the calendar year.

- ✓ **Must report joint owners of a joint account, even if joint owner is a foreign person.**
- ✓ **Must report signature authority over or financial interest in foreign financial accounts.**
- ✓ **Reporting threshold is \$10,000 for aggregate amount of highest values of all foreign financial accounts.**

## FBAR Foreign Bank Account Report

- FBAR related questions must be answered on Form 1040 Schedule B (interests and dividends) Part III
- FinCEN 114 (FBAR) must be submitted online only; with same due date as the 1040, and it is available at [www.fincen.gov](http://www.fincen.gov)
- Penalties can include:
  - \$10,000 per year not filed.
  - 50% of the balance of unreported accounts.
  - Criminal charges.
  - Penalties are per account, per year.

## Fiscal Obligations for Expats living in Portugal



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**Thank You**

The background of the slide is a dark blue-grey color. It features a large, faint graphic of a compass rose. In the center of the compass is a globe with the American flag's stars and stripes. A line graph with a red line is overlaid on the compass, showing an upward trend. The text 'Thank You' is centered in a large, white, bold font.