



GLOBAL EMPLOYER GUIDE

PORTUGAL





Basic Country Facts

Full Name

- Portuguese Republic

Capital

- Lisbon

Main Languages

- Portuguese
- English
- Spanish
- French
- Mirandese

Population

- 10.29 million

Monetary Unit

- Euro

Internet Domain

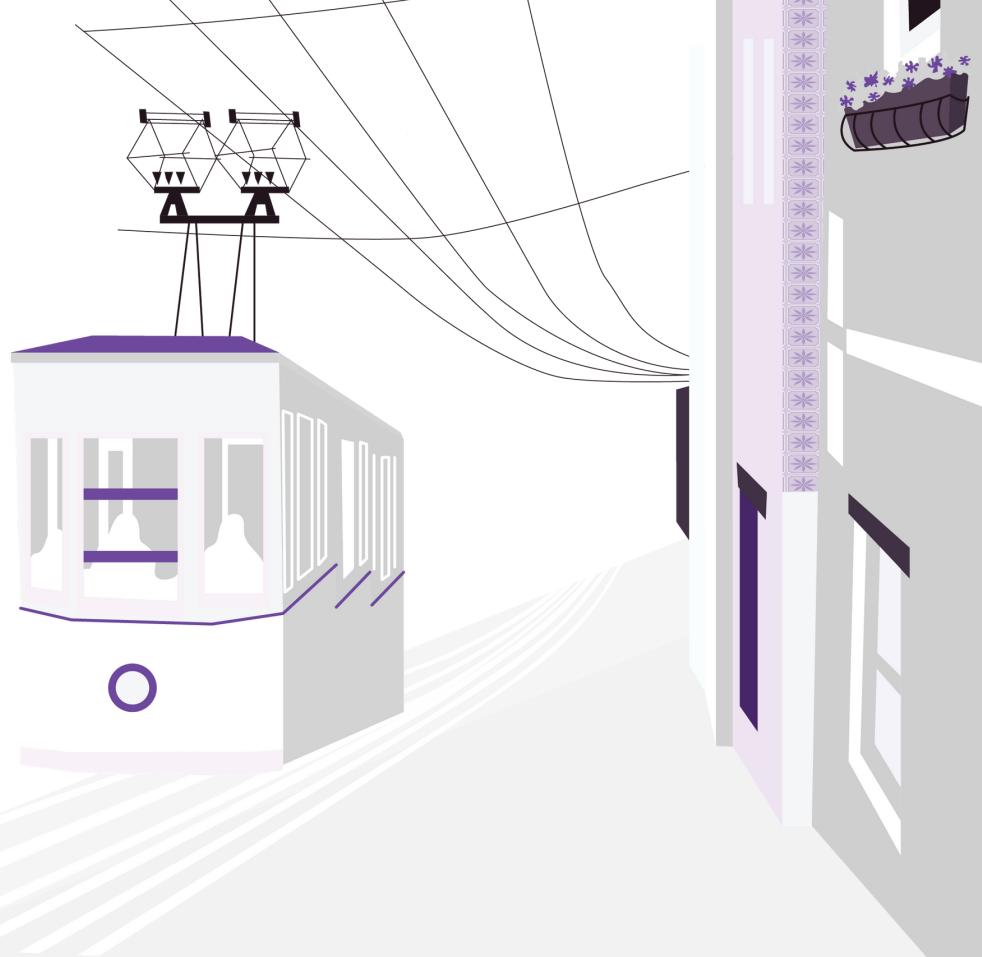
- .pt

International Dialing Code

- +351

Currency

- Euro



STATUTORY LABOR REQUIREMENTS

Probation Period

- In fixed-term contracts of employment for 6 months or more the probation period is 30 days.
- In fixed term contracts of employment for less than 6 months or for an unspecific term if it does not exceed that limit, the probation period is 15 days.
- For senior executives and managers, the probationary period may be extended to 240 days.

Annual Leave

- Statutory minimum is 22 work days (20 in the first year of employment with the company).
- At least 15 days of annual leave must be taken in the year accrued; the remainder can only be taken until April of the following year.

Public Holidays

- New Year's Day (1st January)
- Good Friday (10th April)
- Freedom Day (25th April)
- Labor Day (1st May)
- Portugal Day (10th June)
- Assumption Day (15th August)
- Immaculate Conception Day (8th December)
- Christmas Eve (24th December)
- Christmas Day (25th December)



Maternity Leave

- Female employees are eligible for 30 days of maternity leave at full pay before a child's birth, and 6 weeks following.
- Maternity leave in Portugal can be taken all at once or in two separate leaves of 30 days prior to the birth and 90 days after. If the employee has twins she's entitled to an additional 30 days.

Paternity Leave

- Fathers in Portugal are entitled to 10 days of paid paternity leave to be taken within 30 days of the birth of the child.
- 5 of these days must be taken consecutively.

Sick Leave

- Portuguese social security pays employees a sick leave benefit for employees who are absent from work as a result of illness or injury.
- Employees can receive sick pay for up to 1,095 days. Pay is generally 55% to 75% of the employee's salary.

Work Hours

- A typical working day in Portugal starts at 9am until 1pm with a two-hour break for lunch, and then resumes at 3pm until 7pm.
- The maximum legal working week in Portugal is 40 hours.

13th Month

- Generally, employees receive a bonus equal to one month's salary in June and in December.
- This is known as the 13th and 14th month bonus.

Notice Period

- Termination notice by the employee is dependent upon the number of years of service.
 - 15 days is required for employees with less than 1 years' service
 - 30 days for those between 1 and 5 years' service
 - 60 days for those between 5 and 10 years' service
 - 75 days for employees with over 10 years' service

Severance

- Disciplinary dismissals do not give rise to severance pay.
- Severance pay amounts to one-month basic salary for each full year of seniority, with a minimum three-month payment.
- The compensation cannot exceed 20 times the minimum national wage (€700 as at November 2019) with a maximum amount equivalent to 12 times the monthly base salary or 240 times Portuguese minimum wage.

Overtime

- Overtime work is paid at the normal hourly rate plus 25% for the first hour or part thereof, and plus 37.5% for every subsequent hour or part thereof, on working days
- 50% for the first hour or part thereof, on weekly rest, compulsory or complementary, or on bank holiday



Income Tax

- Residents of Portugal are subject to tax on their worldwide income.
- Nonresidents are subject to personal income tax on income arising in Portugal.
- Personal income tax (IRS) is imposed on the earned income of employed individuals.
- Residents in Portugal for tax purposes are taxed on their worldwide income at progressive rates varying from 14.5% to 48% for 2019.
- In 2019, an additional solidarity rate, which varies between 2.5% and 5%, applies to taxpayers with a taxable income exceeding EUR 80,000.
- Non-residents are taxed at a flat rate
 - 25% on their taxable remuneration in 2019.
- Taxable income includes all earned income of a professional individual, including commissions and profits from a trade.
- Business and professional income is taxed at the personal income tax rates listed in Rates and may be subject to one of the following two regimes:
 - Simplified regime
 - Organized bookkeeping regime
- Income may be taxed under the simplified regime if the taxpayer does not choose to use, and is not required to use, organized bookkeeping and if the annual gross business and professional income of the taxpayer did not exceed EUR200,000 in the preceding year



National Income Tax Rate

Taxable income (EUR) Over	Taxable income (EUR) Not Over	Tax on Excess (%)	Deductible amount (EUR)
0	7,091	14.5	0
7,091	10,700	23	602.74
10,700	20,261	28.5	1,191.23
20,261	25,000	35	2,508.11
25,000	36,856	37	3,008.25
36,856	80,640	45	5,956.67
80,640		48	8,376.08

Social Security

- Social security contributions are payable on all salaries, wages, bonuses and other regular income, excluding lunch subsidies.
- No ceiling applies to the amount of wages subject to social security contributions for employers or employees, including members of the board.
- The employer's share is 23.75%, and the employee's share is 11% of salaries.
- An employer must deduct an employee's contribution and pay the total amount by the 20th day of the following month.
- A self-employed individual engaged in a business or professional activity is subject to monthly social security contributions.
- The basis for contributions corresponds to 70% of the total amount of services provided (20% for income from production and sale of goods) in the three preceding months, with a monthly cap of EUR5,229.12 (12 times EUR435.76).
- If the individual is taxed under the organized accounting, the relevant income is determined based on the profit of the previous year.
- Social security contributions are first due on the first day of the 12th month after the beginning of activity. Self-employed individuals should file a return to the social security authorities in the months of April, July, October and January, for the income earned in the previous three months.
- The following are the contribution rates for self-employed individuals:
 - 21.4% in general
 - 25.2% for specific situations

- Entities contracting service providers may be subject to a 10% (when more than 80% of the services are rendered to the same entity) or 7% (when more than 50% but less than 80% of the services are rendered to the same entity) social security contribution rate levied on the amount paid for the services.

Social Security Contributions	
Employers	<ul style="list-style-type: none">• 23.75% of salaries
Employees	<ul style="list-style-type: none">• 11% of salaries
Self-employed	<ul style="list-style-type: none">• 21.4% in general• 25.2% for specific situations



Deductible Expenses

- For 2019, employees may deduct an amount of EUR4,104.
- Compulsory social security contributions in excess of EUR4,104 are deductible without limitation.
- Union contributions and indemnities paid to employers may also be deducted, subject to applicable limits.
- Taxpayers earning income from professional activities or other services rendered can deduct from taxable income compulsory social security contributions, in excess of 10% of the gross business and professional income, which have not been claimed as deductions for any other purpose.
- Union fees paid to Portuguese trade unions (in the part that does not constitute a direct contribution for health, education, elderly support, home, insurance, or social security benefits) may be deducted against employment or pension income.
- The deduction is 150% of total fees, up to a limit of 1% of the taxpayer's gross employment or pension income.
- The concept of deductible expenses encompasses all the expenses effectively incurred and paid by taxpayers in order to obtain or assure rental income, excluding the financial costs, depreciation, furniture, household appliances, decorations, and comfort accessories. Regarding properties in a horizontal proprietorship, other mandatory expenses incurred by the owner of each fraction will be also deductible.

- The expenses incurred in the 24 months prior to the beginning of the lease/rent, concerning repair and maintenance expenses of the property, can also be deducted, provided that during such period the property has not been used for another purpose than the lease.

Deductible Expenses	
Employment Expenses	<ul style="list-style-type: none">Employee's mandatory social security contributions are fully deductible. Contributions paid to the specific complementary pension funds are deductible, up to EUR 5,164.57
Personal Deductions	<ul style="list-style-type: none">Employee's mandatory social security contributions are fully deductible (see Employment expenses above).Social security contributions paid for domestic employees: up to EUR 1,549.37.Medical expenses for disabled individuals are fully deductible.Contributions paid to the specific complementary pension funds are deductible, up to EUR 5,164.57.Voluntary social security contributions paid to the mandatory pension scheme.Individuals can fully deduct from taxable income the alimony paid to a separate or divorced spouse resulting from a court judgment.Contributions to certain religious entities can be deductible from the taxable income up to EUR 1,032.91 (per taxpayer).



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Immigration

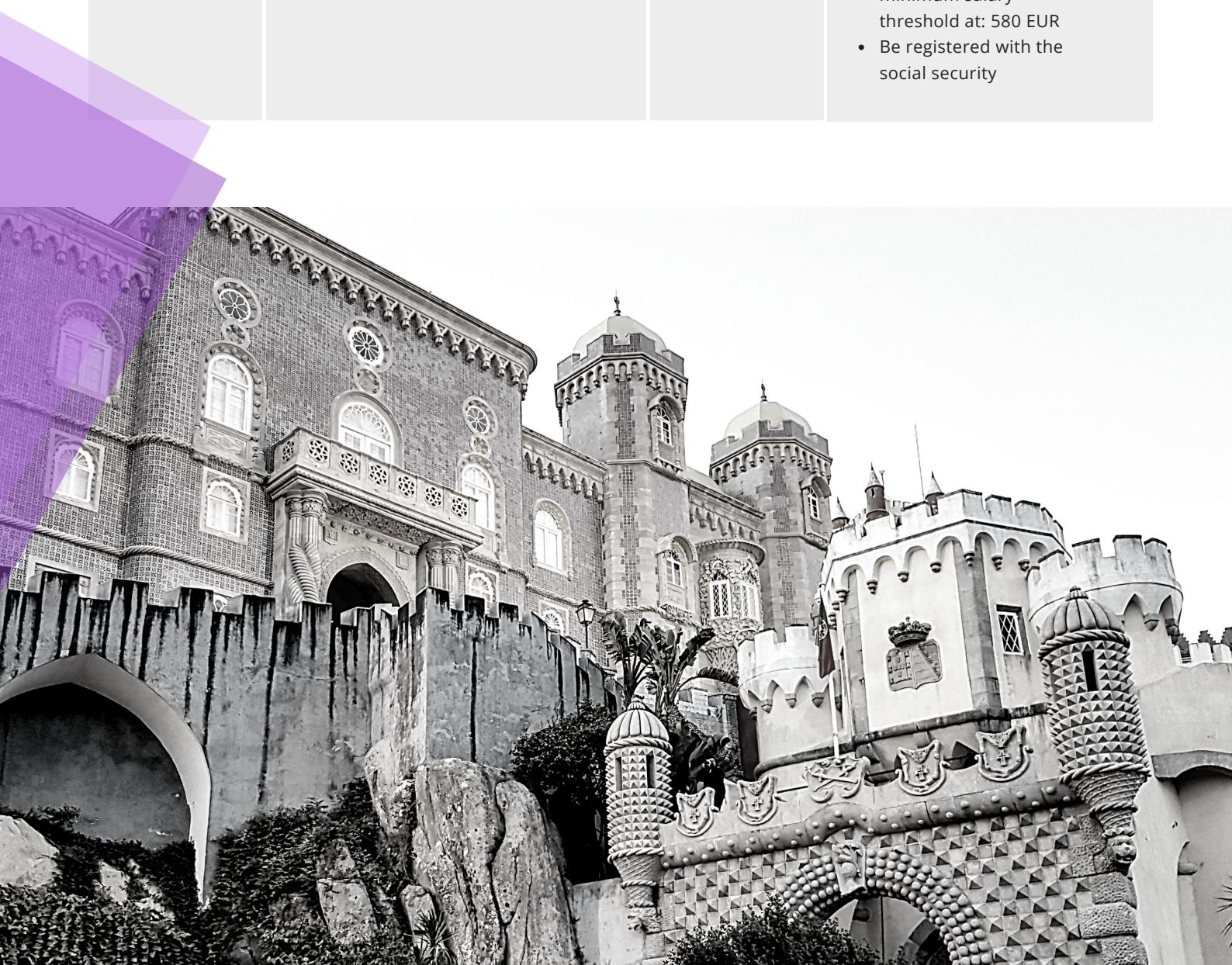
- Non-EU nationals must enter Portugal with the proper visas if they intend to carry out professional activities.
- The type of work permit and visa required and the required procedures to obtain these items differ depending on how the work relationship is classified (for example, as a self-employment activity, an employment activity or an activity considered to be a high qualified activity or research).
- The procedure for obtaining an employment visa for a foreign national is initiated by the prospective Portuguese employer (or the Portuguese entity for which the employees are assigned to work), which must first request a declaration to the Instituto de Emprego e Formação Profissional proving that the job offer is covered by the quota limits and has not been filled by a worker who enjoys preference.
- The approval and issuance of such declaration usually requires up to three months.
- This procedure is usually followed to fill available vacancies within the quota limits, which are established by a resolution taken by the Council of Ministers.
- The initial residence visa is issued for four months.
- As soon as the holder of the visa arrives in Portugal, he or she should apply to the immigration authorities in Portugal for a residence card (autorização de residência).
- The initial residence card is issued for one year and can be renewed for successive periods of two years.
- Portugal is one of the countries that has implemented the EU Blue Card Directive, which enables companies to locally hire executives and high-skilled workers.
- To obtain the EU Blue Card, an individual must prove the following:
 - For regulated professions specified in the employment contract, the adequate professional certification document, if applicable
 - For professions that are not regulated, proof of higher professional qualifications in the occupation or sector specified in the employment contract
- The application for the EU Blue Card should be submitted by a national of a third state or by the employer with the regional offices of the immigration authorities.
- The EU Blue Card is issued for an initial term of validity of one year, renewable for successive periods of two years.
- The renewal of the EU Blue Card must be requested by the interested party within 30 days before the expiration of its validity
- The rules governing the granting of a Residence Permit for Investment (known as an ARI/Golden Visa), which entered into force on 8 October 2012, enable third-country nationals to obtain a temporary residence permit to conduct business activities with visa waiver to enter Portugal.



Type of Visa	Documentation	Validity	Eligibility
Residence Card	<ul style="list-style-type: none"> • Visa • Passport • Employment contract • Two passport photographs • Health insurance • Proof of sufficient finances • Proof of accommodation • Criminal record certificate 	• 1 Year	<ul style="list-style-type: none"> • Non-EU nationals seeking employment in Portugal following a labor market test • Thus, foreigners can seek employment if the vacancies have not been filled by locals or EU citizens
Golden Visa/ ARI	<ul style="list-style-type: none"> • Copy of valid passport and travel documents • Deed or contract of the purchased property • Proof of health insurance in Portugal • Criminal certificate • Declaration from you confirming compliance with the investment requirements • Documents showing a good standing with the Portuguese Tax and Customs Authority and Social Security system 	5 years	<p>One of the following:-</p> <ul style="list-style-type: none"> • Capital transfer with a value equal to or above EUR1 million • The creation of at least 10 job positions • The purchase of real estate property with a value equal to or above EUR500,000 • The purchase of real estate property that has construction dating back more than 30 years or that is located in urban regeneration areas, for refurbishing for a total value equal to or above EUR350,000 • Capital transfer with a value equal to or above EUR350,000 for investing in research activities conducted by public or private scientific research institutions involved in the national scientific or technological system • Capital transfer with a value equal to or above EUR 350,000 for investing in artistic output or the support of the arts for the reconstruction or refurbishment of the national heritage



Type of Visa	Documentation	Validity	Eligibility
EU Blue Card	<ul style="list-style-type: none"> • A valid travel document • Application for a visa or a visa (if necessary), and a valid residence permit or a national long-term visa (if appropriate) • A proof of sickness insurance (or a proof of having applied for it). • Bachelors or Master's degree 	<ul style="list-style-type: none"> • 1 Year 	<ul style="list-style-type: none"> • High skilled workers • Hold a work contract or a binding job offer with a minimum duration of one year • The gross annual salary resulting from the monthly or annual salary specified in the work contract or binding job offer must be equal to or higher than at least 1.5 times the average gross annual salary in the Member State concerned). • For 2018, Portugal set the minimum salary threshold at: 580 EUR • Be registered with the social security



Value Added Tax (VAT)

- The standard VAT rate in Portugal is 23%; with a reduced rate of 6% and intermediate rate of 13%.
- There are also different VAT rates applicable in the Portuguese Islands (Azores and Madeira).
- In Azores the standard VAT rate in Portugal is 18%, with reduced rate of 5% and intermediate rate of 10%.

VAT Rates	
Standard Rate	23%
Reduced Rate	13%
Reduced Rate	6%



Withholding Tax

Dividends

- Dividends paid to a nonresident company are subject to a 25% withholding tax (35% if paid to a resident of a listed tax haven)
- The rate may be reduced to 0% where the conditions for the domestic participation exemption regime are fulfilled and the recipient of dividends is resident in the EU/ EEA or in a tax treaty jurisdiction
- If the participation exemption does not apply, the rate may be reduced under a tax treaty
- Dividends paid by resident companies are subject to a 28% final withholding tax.

Interest

- Interest paid to a nonresident company is subject to a 25% withholding tax (35% if paid to a resident of a listed tax haven), unless reduced under a tax treaty
- Under the EU interest and royalties' directive, payments to qualifying EU recipients are exempt

Royalties

- Royalty payments made to a nonresident company are subject to a 25% withholding tax (35% if paid to a resident of a listed tax haven), unless the rate is reduced under a tax treaty.
- Under the EU interest and royalties' directive, payments to qualifying EU recipients are exempt

Technical Service Fee

- Technical service fees paid to a nonresident company are subject to a 25% withholding tax, unless the rate is reduced or eliminated under a tax treaty

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Termination

- In addition to other procedures provided for by law, an employment contract may terminate due to:
 - Expiration
 - Revocation
 - Dismissal for cause attributable to the employee
 - Collective dismissal
 - Dismissal due to elimination of job
 - Dismissal for inability to adapt
 - Unilateral termination of the contract by the employee without just cause
 - Unilateral termination of the contract by the employee with just cause.
- Dismissal of the employee without just cause or for political or ideological reasons is forbidden
- There are 3 methods of terminating employment agreement in Poland:
 - termination by mutual consent
 - termination with notice
 - termination without notice



Statutory Benefits

- These are benefits as postulated by law
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, paternity leave, notice period, severance period, 13th month and 14th month pay
- Statutory benefits also include social security benefits

Statutory Benefits

Probationary Period

Annual Leave

Public Holidays

Sick Leave

Maternity Leave

Paternity Leave

Notice Period

Severance Pay

13th Month pay

14th month pay

Social Security Benefits

Payments and Invoicing

- The tax year in Portugal is the calendar year.
- However, it is possible to split the year for tax purposes.
- Residents, as well as nonresidents who have filing obligations, must file their personal income tax returns between 1 April and 30 June of the following year.
- Any balance of tax due or excess tax paid is payable or refundable when the Portuguese tax authorities issue the respective tax assessment.
- An extension to the filing of personal income tax returns with foreign tax credit is granted until 31 December of the year following the tax year.
- For that purpose, individuals must report the nature of the income and the country of source by the standard deadline for the personal income tax return filing (through Form 49) and subsequently file the return when the foreign tax assessment is available.
- Nonresidents who receive rental income from Portugal or who realize a capital gain in Portugal that is not excluded from taxation must file tax returns between 1 April and 30 June of the year following the year of receipt.





Ease of Doing Business

- The ease of doing business index is an index created by Simeon Djankov, an economist at the Central and Eastern Europe sector of the World Bank Group.
- Higher rankings (a low numerical value) indicate better, usually simpler, regulations for businesses and stronger protections of property rights.
- According to the World Bank Portugal ranked 39th in the World in 2019 in terms of ease of doing business.



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