

WhyPortugal 2016

The Case for living in Portugal



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Tel.: (351) 213 241 900 – Fax: (351) 213 241 929

Email: mva@macedovitorino.com

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1. Portugal – General overview



Official name: the Portuguese Republic

Capital: Lisbon (Lisboa)

Main District Capitals: Porto, Coimbra, Aveiro, Leiria, Faro

Area: 92,152 Km²

Population: 10,374,822

Working Population: 4,497,466

GDP: EUR 165.6 billion

GDP per capita: EUR 16,700

Currency: EUR / Euro € (one euro is divided in hundred cents)

Lisbon Capital

1. Territory

Situated in southwestern Europe, Portugal is located in the Iberian Peninsula, being bordered by the Atlantic Ocean to the west and south, and by Spain to the north and east.

Portuguese territory also includes archipelagos of the Azores and Madeira both situated on the Atlantic Ocean.

92,152km²

Territory

2. Demography

According to the Statistics Portugal (*Instituto Nacional de Estatística*), in 2014, the population was 10,374,822, of which 53% was female and 47% was male.

The current demographic trend in Portugal points to an ageing population due to the decrease of the young population of working age associated with the increase of the number of elderly people.

The majority of the Portuguese population is Catholic.

10.4

million

Population

3. Political context

In the nineteen seventies Portugal underwent a series of major political, social and economic changes. On 25 April 1975, a military coup turned into the Carnation Revolution,

in which an army rebellion overthrew the fascist dictatorship and colonial regime. Finally, the fundamental rights had been restored to Portuguese citizens, which nowadays are guaranteed in the Constitution of the Republic of Portugal, and reflected in democratic institutions. Today, Portugal is a republic based on a parliamentary democracy with a semi-presidential regime.

The archipelagos of the Azores and Madeira are autonomous regions and have their own political structures with legislative and executive powers.

Executive Power

The President of the Republic, elected by universal suffrage, is the Head of State and is the Supreme Commander of the Armed Forces. The President, after a general election, appoints the leader of the majority party (or coalition) to be Prime Minister. The current President of Republic is Marcelo Rebelo de Sousa elected in January 2016.

The Prime Minister is the head of the government, holds the executive power, which includes implementing laws and overseeing the everyday running of the country. The current Prime Minister is António Costa.

Legislative power

Portuguese legislative power is unicameral. The parliament, called the Assembly of the Republic, has 230 seats. The members are elected by universal suffrage for a 4-year term and the executive branch of government is directly or indirectly dependent on the support of parliament often expressed by a vote of confidence. The Prime Minister cannot dissolve the Assembly, but the President can do so and call for an early election if he so wishes. Portuguese citizens enjoy considerable political rights.

The Portuguese parliament is comprised of following parties: Social Democratic Party (PSD), Popular Party (CDS-PP), Socialist Party (PS), United Democratic Coalition (CDU), and Left Bloc (BE).

Constitutional Liberties

In Portugal, the fundamental rights are highly developed and largely guaranteed by the constitution.

Equal treatment under the law is guaranteed by the constitution and by various laws. Thus, the discrimination based on factors including gender, race, disability and sexual orientation is prohibited and constitutes a public offence.

As regards the foreign residents or located residents in Portugal, the constitution establishes benefit from the same rights and are subject to the same obligations as the Portuguese citizens, except for some political rights and for the access to public-sector employment.

Concerning religion, the constitution guarantees freedom of belief and religion. Under the Religious Freedom Act, the religions established in Portugal for at least 30 years or recognized internationally for at least 60 years benefit from legal recognition of marriages and respect for traditional holidays. Religious discrimination is punishable.

Freedom of expression and freedom of the press in particular are protected by the constitution. Freedom of assembly and association are also constitutionally guaranteed and all nongovernmental organizations operate in Portugal without any interference.

As regards labour rights, the workers have the right to organize, bargain collectively and strike. Labour rights in Portugal are highly protected.

External relations

Portugal is committed to the European integration and transatlantic relations, being a founding member of NATO (North Atlantic Treaty Organization) since 1949 and a member of the European Union since 1986.

Portugal is also member of the OECD (Organisation for Economic Co-operation and Development) and EFTA (European Free Trade Association) and is a member state of the United Nations since 1955.

As regards the relations established with Portuguese-speaking nations, it should be pointed out that Portugal co-founded the CPLP (Community of Portuguese Language Countries) in 1996. The CPLP is the intergovernmental organization for cooperation among nations where Portuguese is an official language. Currently, the current members of the CPLP are Portugal, Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, São Tomé and Príncipe, Timor-Leste and Equatorial Guinea.

Portugal is a part of the Schengen Agreement, together with Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Hungary, Latvia, Lithuania, Italy, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland. This means that a Portuguese resident or Portuguese visa holder is allowed to travel in all of these countries without any additional permits and that there are no routine immigration checks when travelling to/from another Schengen country.

4. Capital

Lisbon is a capital of Portugal. It is Europe's second-oldest capital, after Athens, it was the capital of an empire spreading throughout a vast number of territories, that are now parts of 60 different sovereign states, spanning almost six centuries. Lisbon is situated on hills with fascinating views, which overlook the Tagus River.

It is the only European capital with sunsets on the sea with a very close distance to sandy beaches of Costa Caparica. In Lisbon, one can find one of the world's greatest natural

harbours, which attracted different civilizations, now reflected in its architecture and culture recalling Phoenicians, Celts, Romans, Visigoths and Moors.

5. Currency

The currency in Portugal is the Euro, which is the currency of 19 European countries. The Euro is the second most actively traded currency after the United States dollar.

The currency symbol is "€". It circulates with seven banknotes and eight different coins: banknotes of 500, 200, 100, 50, 20, 10 and 5 euros, and coins of 2 and 1 euros and 50, 20, 10, 5, 2, and 1 cents.

Twenty-four hour ATMs (called "*multibanco*") are everywhere in Portugal, from the largest towns to small villages. In Lisbon, several down the same street or avenue. Maximum daily withdrawal is € 400, with the most being € 230 at a time. All have onscreen instructions in English and other languages.

Banks are the easiest places to exchange money, charging around € 3 to € 5 commission. Debit and major credit cards (especially Visa and MasterCard) are widely accepted.

6. Language

Portuguese is one of the major languages of the world, the sixth most spoken language worldwide. It is spoken by about 230 million people on four continents and belongs to a group of languages called "Romance" or "Neo-Latin" that evolved from Latin.

In Lisbon, Porto, most of Algarve, and other main tourist destinations, English is spoken widely. Still, learning just a few simple Portuguese words certainly enhances a visit to Portugal.

7. Judicial system

The Portuguese judicial system is divided in two jurisdictions, the civil jurisdiction and the administrative jurisdiction. In both, the courts are organized into three levels of judicial courts.

As for the civil jurisdiction, the Supreme Court of Justice (*Supremo Tribunal de Justiça*) is the higher court and has national jurisdiction. The Supreme Court of Justice is designed mainly to hear appeals from the lower courts.

The Courts of Appeal (*Tribunais da Relação*) are the second instance courts and have district jurisdiction. This level of courts decide essentially appeals from the decisions of the lower courts.

The lower courts (*Tribunais de primeira instância*) decide the majority of disputes. A decision may be appealed depending on the monetary value and issues involved.

Notwithstanding, when personal rights (e.g. family cases) are under trial, the appeals are always allowed, regardless the monetary value at stake.

In the Portuguese judicial system, there is also Justices of Peace (*Julgados de Paz*), more concerned with dispute resolution in low-value cases, their competence extends, especially, to civil patrimonial issues.

Besides the civil and the administrative jurisdiction, it should be noted that the higher judicial authority is the Constitutional Court (*Tribunal Constitucional*) which is specially entrusted with the administration of justice in matters of a legal-constitutional nature.

8. A unique country to live in west coast of Europe

Portugal is a country located in the southwestern Europe, which enjoys a prime location, good climate and an immense natural beauty from sandy beaches and cliffs along the Atlantic Coast to mountains in the country's interior.

Besides the natural and cultural heritage and the strong cultural identity, Portugal benefits from political stability and from a safe and pleasant environment.

With a low cost of living and a good quality of life, Portugal proves to be perfectly recommended for families, modern investors, businesspersons and for retired people.

Below in this paper, you will find an outline of the opportunities of living in Portugal and of the main aspects to be thought-out by everybody considering Portugal as a place to live.

2. First steps in Portugal

2.1. Foreign nationals – entry and permanence

Citizens of the European Union (EU) countries, Iceland, Liechtenstein, Norway or Switzerland do not require a visa to enter Portugal, it is sufficient to hold a valid identification document.

Citizens of other countries should also carry a travel document, valid for a period of, at least, 3 months ahead, and may not be under the alerts of the Foreigners and Borders Service Integrated Information System, nor of the Schengen Information System.

2.1.1. Residence permits

Citizens of EU countries, Iceland, Liechtenstein, Norway or Switzerland who plan to stay in Portugal for a period exceeding 3 months, should request a registration certificate (*certificado de registo*) from the city hall (*camara municipal*) of the area of residence in order to formalize the right to live in Portugal.

Five consecutive years after holding the registration certificate, their holders may request a permanent residence certificate (*certificado de residência permanente*) from the Foreigners and Borders Service (*Serviço de Estrangeiros e Fronteiras*).

Citizens of other countries who want to live in Portugal should request a residence visa (*visto de residência*) from the Portuguese embassy in their country of residence or from the Portuguese embassy with jurisdiction over their country of residence. A residence visa is a long-term visa which allows their holders to enter Portugal for a period of four months in order to apply for a permanent residence permit (*autorização de residência*) from the Foreigners and Borders Services. Residence visas are issued if one of the following purposes of stay is met:

- (a) To pursue a professional activity as an employee;
- (b) To pursue an independent professional activity or be enterprising immigrants;
- (c) To conduct research, teaching at a higher education institution or carrying out highly-skilled work;
- (d) To study, student exchanges, professional internship or voluntary service;
- (e) In the context of the mobility of students in higher education;
- (f) For family reunion; or
- (g) Pensioners, religious persons.

Usually, these temporary residence certificates are valid for a period of one year from the date of issue and may be renewed for the period of two consecutive years.

After 5 years of temporary residence, the holders of a Residence Visa may request a permanent residence permit.

2.2. Golden Visa

In 2012, Portuguese Government has launched Residence Permit for Investment Activity programme (ARI), as a quick solution for investors from outside the Schengen area to obtain a residence permit in Portugal.

This plan includes new rules on the awarding of residence permits for investment activity, known as “golden visa”, to citizens of non-European Union (EU) countries that wish to make a significant investment in Portugal and meet certain requirements.

The “golden visas” grant their holders the right to free circulation in Portugal and in rest of Schengen area countries. In addition to general requirements applicable to residence permits, “golden visas” require their holders to undertake the obligation of investing in Portugal of certain minimum amounts for a minimum period.

Most important requisite for “Golden Visa” applicants is to initiate in Portugal an investment. It may be a transfer of funds (the minimum amount of € 1,000,000.00), creation of jobs (minimum of 10 jobs) or purchase of property/is (minimum amount of € 500,000.00).

This investment must be maintained for at least 5 years, starting the date of issuing the residence permit.

For instance, investment may be made directly by the individual applying for the “golden visa” or indirectly by a company with head-offices in Portugal, which shares are held by the applicant. Another possibility is to using a company with head-offices in other EU Member State, which shares are held by the applicant, with a permanent establishment in Portugal.

When the investment is made by a company, compliance with investment thresholds will be assessed based on the amount of the shareholding the applicant holds in the relevant company.

General requirements of residence permits will also apply when requesting for “golden visa”. First of all, it is required to be physically present in Portugal. Next, the applicant has to prove that she/he has housing and the sufficient means to support himself/herself in Portugal. Also, it may be necessary to demonstrate the enrolment with Portuguese social security.

It is important to assure that there are no circumstances known to Portuguese authorities, which would determine immediate refusal of the application. For instance, applicant may not be convicted for crime punished in Portugal with liberty deprivation exceeding 1 year in his home country, nor have a ban order prohibiting the entry to Portugal. Moreover, the applicant cannot be recorded for past prohibition of the entry and stay in Portugal in the Schengen Information System and in the Portuguese authorities’ information system.

Schengen visa may be granted by the Portuguese consulate at the country of origin and legalization of stay in Portugal within 90 days from the date of first entry in Portugal.

2.2.1. Submission of documents

Applications for Residence Permit for Investment Activity (“golden visa”) may be submitted online (www.sef.pt), at the offices of the relevant Portuguese authorities (*Serviço de Estrangeiros e Fronteiras*) or at Portuguese consulates or embassies abroad. Investment-related documents and sworn statement must be submitted personally.

Administrative cost of the residence permit is approximately € 5,600.00. Provided that all requirements are met, the residence permit is granted within 60 days from submission of form and documents.

Once issued, a “golden visa” is valid for 1 year and it may be renewed for subsequent 2 year-periods. The minimum stay restriction is 7 days in the first year and 14 days for subsequent 2-year periods.

A “golden visa” holder has a freedom of circulation in Schengen area countries. Properties acquired for purposes of a “golden visa” may be leased, exploited for commercial, tourist or agriculture related activities, and also mortgaged. Moreover, holder of “golden visa” may benefit from special taxation rules applicable to non-habitual residents and has a right to request family regroupment.

Applicants must be tax residents in Portugal and cannot have been taxed in the last 5 years. Application for status of non-habitual resident is reviewed on a case by case basis by Portuguese tax authorities, and it is valid for 10 years. After that, taxation under Portuguese personal income rules will apply.

To apply for a golden visa the applicant must:

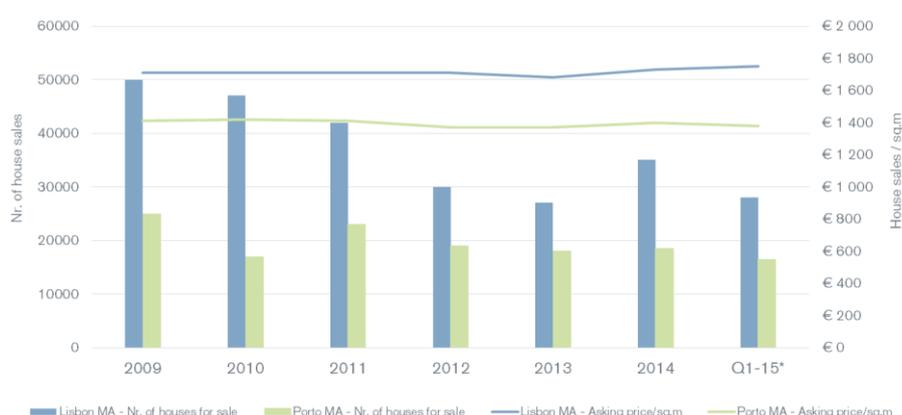
- (a) Be physically present in Portugal, own or lease a residence in Portugal and have means to support himself/herself;
- (b) Register with the Portuguese social security authorities in those cases where the business activity that he/she performs in Portugal is subject to registration;
- (c) Not to have been convicted for a crime punishable with imprisonment in Portugal of 1 year or with the prohibition of entry in Portugal;
- (d) Not to be signaled in the Schengen Information System and in the Portuguese authorities’ information system as prohibited from entering and staying in Portugal;
- (e) Possess a valid Schengen visa; and
- (f) Registration of the stay in Portugal within 90 days from the date of the first entry in Portugal.

3. Buying and renting a house

3.1. Buying a house

3.1.1. General overview

After almost 3 years of depression, in 2014 Portuguese housing market started to recover, offering interesting opportunities. Concerning square meter, Portugal has one of the lowest prices for city-centre property in Europe. During last year property prices rose around 1,5%, to an average price of € 1,000 per square meter in Lisbon, and around € 800 in Porto (see figure 1), based on figures released by Statistics Portugal (INE).



3.1.2. Formalities

Before you complete the purchase of a house, it is highly recommendable to verify the legal and real situation of the property. In order to do this, you must check the documents that identify the property and confirm the legitimacy of the seller.

Land Registry Certificate (*Certidão do Registo Predial*)

The land registry certificate may be requested in hard copy or in digital format on internet. It includes the composition of property, the legitimacy of the seller and the types of encumbrance that may affect it (mortgages, collateral, etc.).

Title Certificate (*Caderneta Predial*)

This document may be requested from any tax office (*repartição de finanças*) and contains information about the property's tax situation.

Usage Licence (*Licença de Utilização*)

It certifies the authorized use of the property, and may be requested in the City Hall of the district where the property is located.

Technical Datasheet of Property (*Ficha Técnica de Habitação*)

This document contains information about technical and functional features of a property and may be requested in the City Hall of the district where the property is located.

3.1.3. Promissory Agreement of Sale and Purchase

The process of acquisition of property may initiate with the execution of a Promissory Agreement of Sale and Purchase. This agreement is not mandatory and is intended to ensure the conclusion of the Public Deed of Sale and Purchase. Usually, it is signed by the two parties and involves of a down payment to the promissory seller.

For the Promissory Agreement to have real effectiveness, it is necessary to proceed to the provisional registration of the acquisition in the Land Registry Office of the property area. The provisional registration is valid for six months, which may be renewed for an equal period and until one year after the date set by the parties for the execution of the Public Deed of Sale and Purchase.

The provisional registration has a cost of € 250.

3.1.4. Public Deed of Sale and Purchase

The Public Deed of Sale and Purchase is the last step of the procedure of acquisition of property. The Deed shall be executed before a notary and is subject to an expense between € 300 and € 600.

In case a Promissory Agreement of Sale and Purchase with real effectiveness has been concluded, the provisional registration becomes definitive at the moment of submission for registration of the Public Deed of Sale and Purchase. The conversion of the registry entails a cost of € 100.

If no real effectiveness was granted to the Promissory Agreement of Sale and Purchase, it is just concluded at the Deed. In this case, the amount due is € 175.

Alternatively, it is possible to carry out all formalities required to the acquisition of property through the service "Casa Pronta", in a help desk or through the site www.casapronta.pt.

3.1.5. Taxation on real estate

Buying a property in Portugal requires registration with the Tax Authorities to obtain the taxpayer identification number. The transaction is subject to a number of taxes and related costs. Usually, buyer's costs are (i) Property Transfer Tax (IMT), (ii) Stamp Duty, (iii) Property and Land Registry Fees (iv) Municipal Property Tax, (v) legal and notary fees.

Transfer taxes

The transfer of property rights over real estate is subject to Municipal Property Transfer Tax (*Imposto Municipal sobre as Transmissões Onerosas de Imóveis* – IMT). IMT is levied on the purchase price or property's taxable value, computed on the higher value.

IMT rates are (i) up to 6%, in case of residential urban properties, and (ii) 10% if the buyer is a resident in a state, territory or region considered as tax haven.

Stamp duty

Stamp duty's taxable base is the same, as for IMT, i.e. is charged on the higher of (i) the tax value of the property or (ii) the purchase price. As general rule, for the acquisition of ownership or other rights on real estate, the rate is 0.8%.

Municipal Property Tax

Municipal Property Tax (*Imposto Municipal sobre Imóveis* or IMLI) is levied on an annual basis on the value of urban property located in Portugal. For urban properties, the rate is between 0.3% and 0.5% and for properties owned by entities resident in a state, territory or region considered as tax haven, the rate is 7.5%.

Urban buildings and apartments with a tax value of € 1 million or higher, are subject to stamp duty at the rate of (i) 1%, in case of residential buildings or land allocated to housing construction and (ii) 7.5%, in respect of any building owned by residents of tax haven (except for individuals).

3.2. Renting a house

Properties for rent are advertised in many websites specialised in real estate. In addition, you can find ads in local newspapers or magazines, some of them in English. Furthermore, real estate agencies all over the country have to offer many interesting short and long-term rentals. There are furnished and unfurnished properties, though for long-time rentals unfurnished properties are most common.

3.2.1. A rental contract (*contrato de arrendamento*)

Whether long or short-term, a rental contract is necessary when renting a property in Portugal. According to Portuguese law, a rental contract has to be in writing. Rental costs depend on region and particular neighbourhood and may vary according to number of bedrooms, standards of a property, and the facilities provided. Long-term rentals don't usually include the cost of utilities such as water, gas and electricity.

There are no restrictions on foreign property ownership in Portugal and transaction costs are generally low.

4. Healthcare

In Portugal, the access to public healthcare is free to all residents. In general, basic services can be found in rural areas and smaller towns, and villages and specialized care centers are in larger cities.

The health subsystems operate their own clinics and hospitals or through agreements with the National Health System. The main health subsystem is the ADSE (Assistance in Health Assistance for Civil Servants of the State) granted to civil servants, other examples are the clinics and hospitals of the Trade Union of Northern, Southern and Islander Bank Workers (SAMS), or for the military (ADME).

4.1. Public healthcare facilities

EU nationals living in Portugal will be pleased to find that consultations with a General Practitioner and basic vaccines are free. However, beneficiaries pay a fee (*taxa moderadora*) for each appointment or treatment provided in the public healthcare. A regular appointment in a health center, for example, costs € 5, while an emergency appointment in a hospital costs € 20.

Non-EU citizens may have to pay some additional fees for public healthcare in Portugal, the amount will depend on whether there is a reciprocal healthcare agreement between Portugal and the home country.

4.2. Private healthcare facilities

In Portugal there are various private health establishments and health practitioners operate on a freelance basis and provide additional sources of healthcare. One can use it directly or throughout the wide range of private health insurance.

4.3. Pharmacies and medicine

The Portuguese State pays part of the cost of most medicines, though some are totally subsidized, particularly those which are vital for treating certain illnesses. Patients are partially subsidized when they purchase medicines prescribed by medical doctor.

Prescription medicines are mainly sold in pharmacies. Some of medicines without prescription i.e. painkillers or vitamins, are permitted to be sold in commercial spaces, such as supermarkets or convenience stores, provided they are duly controlled by qualified staff. These establishments are identified by a green cross on a white background.

4.4. Emergencies

In case of medical emergency you should dial 112, the EU-wide emergency number. It is free to call and you can call from a mobile phone without a SIM card. When need a

general medical advice in Portugal, the call center Saúde 24 (Health Line 24) is available and free of charge on 808 24 24 24.

5. Education

5.1. Introduction

The education system includes public schools operated under the exclusive responsibility of the State, autonomous regions, municipalities or other public entities, and private schools, operated by private entities or individuals under license issued by State.

Schools and teaching facilities under the national education system are considered to be of public interest.

The Portuguese educational system have improved significantly in the last two decades. Also, the number of immigrants has increased considerably last decade, many of whom do not have Portuguese as mother tongue. Portuguese schools are prepared for education of children of all age from foreign countries. Recent reforms include new arrangements for the setting of learning goals, the reorganization of the school network, and the diversification of educational offerings. Therefore, one can choose from a range of Portuguese and international schools to enroll a child into the education system in Portugal.

Compulsory schooling was extended recently, and ceases as soon as the student obtains a diploma certifying the completion of high school i.e. 12th grade, or completes 18 years of age (regardless of having completed high school). The parent is obligated to enroll the child with a public or private school and that the student is obligated to attend such schools or institutions.

The school system in Portugal is organised in three sequential levels: pre-primary education (ages 3 to 5), primary education (typical ages 6 to 14) and secondary education (typical ages 15 to 17).

Age	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
Grade	Pre-primary education			1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	
Level/ Cycle	Pre-primary education			1st cycle			2nd cycle		3rd cycle			Secondary education				
				Primary education												

5.2. Pre-primary education

Pre-primary education covers children from 3 to 5 years. The State is responsible for ensuring a network of pre-primary facilities allowing the enrolment of all 5 year children and education for such children free of charge..

Pre-primary facilities may be public schools or private schools.

5.3. Primary education

The primary 9 years covers children that complete 6 years of age until 15 September of each year. Public primary school is universal, compulsory and free of charge in respect of enrolment, attendance and certification fees and costs. The students may also benefit of free of charge use of books and school supplies, as well as of transportation, food and housing, when necessary.

The purpose of primary school is, among others, to ensure a general common education to all children living in Portugal. Primary education is organized in three cycles (Grades 1-4; Grades 5-6 and Grades 7-9).

- (a) A first cycle of 4 years, of global teaching by a single teacher;
- (b) A second cycle of 2 years, where teaching is divided in interdisciplinary areas; and
- (c) A third cycle of 3 years under unified programs including different vocational areas.

5.4. Secondary education

Access to high school requires a prior completion of primary school. It takes 3 years and includes courses mainly professional courses. As a principle, one teacher may teach only one subject.

Upon completion and approval, the students are granted a certificate for purposes of access to the university or employment, as the case may be.

5.5. Higher education

It includes universities and polytechnic schools. Access to higher education requires completion and approval in high school or equivalent at the same level.

Students over 23 years, who have not completed or approved high school, may also have access to higher education provided they complete and approve specific entry tests.

6. Working in Portugal

6.1. Employment rules

Most employment rules are mandatory in Portugal. It means that there is no need to set out all the rights and obligations of the parties in the employment contracts.

The duration of contract, working hours, remuneration, leave entitlement, absences, and termination of contracts are the most important matters to be agreed by the parties, albeit subject to mandatory rules set out in the Portuguese Labour Code.

In general, employment contracts do not need to be in writing. However, contracts with foreign employees require a written document, prepared in duplicate (one for each party), containing the following information:

- (a) Identification, signature and domicile or head office of the parties;
- (b) Reference to the work permit or certificate authorizing the permanent or temporary residence of the worker in Portuguese territory;
- (c) Employer's activity;
- (d) Employee's job and salary;
- (e) Place of work and normal working hours;
- (f) Amount, frequency and payment method of the salary; and
- (g) Effective date of the employment contract and beginning of its effects.

The duplicate of the employer must have attached proof of legal obligations regarding the entry and residence of the foreign employee in Portugal.

The employee has to attach to the contract the identification and the domicile of the persons who will receive pensions in the event of death resulting from an accident at work or illness.

The terms of the employment relationship are subject to the Portuguese Labour Code, to the collective bargaining agreements, if and when applicable, and to the practices between the parties.

6.1.1. Duration of contracts

Depending on the needs of the employer and on the duration of the employee's tasks, the employer and the employee may enter into the following types of employment contracts:

- (a) Fixed term contracts that are in force for a pre-established period set according to employer's temporary needs, which must be specified in the contract, and that expire at the end of the agreed term, unless they are renewed; fixed term contracts cannot be renewed for more than 3 times and have a maximum duration of three years;

- (b) Unfixed term contracts which are not subject to a pre-established period, but expire after the completion of the employer's project or when the reason for which the employee was hired ceases to exist; unfixed term contracts have a maximum duration of six years; and
- (c) Open-ended contracts, which are entered into for an undetermined period and may only, be terminated by the employer in the circumstances set out by law.

6.1.2. Working hours

The maximum regular working period is 40 hours per week, 8 hours per day.

Employees are entitled to a minimum rest period of 11 consecutive hours between 2 successive daily work periods, as well as to one day of rest per week. An additional half or full day of rest may also be given to the rest day required by law.

Collective bargaining agreements may provide alternative working time regimes.

Work exceeding the limits above is deemed overtime. Overtime gives the employee the right to additional pay and, in certain circumstances, to an additional rest period. Employees' overtime is subject to certain limits imposed by the Portuguese Labour Code.

6.1.3. Probationary period

The probationary period is the period during which either party may unilaterally terminate the contract without prior notice and without cause and varies depending on the type of contracts. The maximum probationary period is as follows:

- (a) For open-ended contracts: (i) 240 days for employees with management or senior positions, (ii) 180 days for employees with job positions of technical complexity, high degree of responsibility or which require special qualifications, and for employees who perform duties of confidence, and (iii) 90 days for other employees; and
- (b) For fixed and unfixed term contracts: (i) 30 days for contracts with a duration equal to or higher than six months and (ii) 15 days for contracts with a duration of less than six months.

6.1.4. Remuneration

Employees are entitled to a minimum monthly salary set by law each year. The remuneration must be paid on a regular and permanent basis and may be fixed, variable or mixed (comprising fixed and variable components).

In each year, employees are entitled to receive twelve monthly remunerations. In addition, employees are also entitled to receive:

- (a) A Christmas bonus equal to one month remuneration payable until 15 December of each year; and

- (b) A holiday bonus equal to one-month remuneration payable before the holiday period.¹

6.2. Vacations and time off

6.2.1. Vacations

Employees are entitled to 22 business days of paid holiday per year. Employees are also entitled to 13 national public holidays: 1 January, Good Friday, Easter Sunday, 25 April, 1 May, Corpus Christi, 10 June, 15 August, 5 October, 1 November, 1 December, 8 December and 25 December.

Under certain collective bargaining agreements, employers may be obliged to grant two optional public holidays: Carnival/Shrove Tuesday and the local municipal holiday.

6.2.2. Time off for illness or injury

Employees are entitled to time off from work due to illness or injury. In cases of illness or injury, employees are entitled to receive sick pay from the Social Security. For this purpose, employees have to file a specific form and submit a statement from a hospital, health centre or doctor giving evidence of their illness or injury to the Social Security.

Sick pay is calculated based on the employee's reference remuneration under the social security criteria and could range between 55% and 75% of the employee's remuneration depending on the duration of the illness or injury.

Employees are also entitled to time off in case of illness of a child or dependent or to provide care for family members. In some cases, absences entail a loss of remuneration for the employee.

In case of absences not foreseeable, the employee must inform the employer of the time off as soon as possible. If absences are foreseeable, the employee must notify the employer 5 days in advance stating the reasons for the absence.

¹ The amount of both Christmas and holiday bonuses is proportional to the time of service rendered by the employee in that calendar year (i) in the year of hiring of the employee, (ii) in the year of termination of the employment contract and (iii) in the event of suspension of the employment contract, unless the suspension is due and determined to employer's reasons.

Collective bargaining agreements may also establish specific rules on employee's time off days.

6.2.3. Parental leave

Employees are entitled to a parental leave for a child's birth, which may be shared between both parents after the child's birth. In case of share of the parental leave, the parents are entitled to a total of 150 or 180 consecutive days, which are paid by the Social Security, as follows:

- (a) For 150 days off: 100% of the employee's reference pay; and
- (b) For 180 days off: 83% of the employee's reference pay.²

In case of share of parental leave, employees must also inform their employers of the start and end dates of each of their leave periods, by way of a joint written statement, up to seven days after the child's birth.

If the leave is enjoyed exclusively by one of the parents, the parent can choose to enjoy either 120 or 150 consecutive days, which are also paid by the Social Security, as follows:

- (a) For 120 days off: 100% of the employee's reference pay; and
- (b) For 150 days off: 80% of the employee's reference pay.

Notwithstanding the rules above, female employees are always entitled to: (i) an initial exclusive parental leave of 30 days, which can be enjoyed before the child's birth, and (ii) six weeks of leave after the child's birth, which may not be waived by the employee.

Male employees are entitled to 15 business days (consecutive days or not) within the thirty days after the child's birth, of which 5 days must be enjoyed after the child's birth. Fathers are also entitled to an additional and optional period of 10 business days (consecutive days or not), if this leave period is enjoyed at the same time of the mother's leave period.

6.3. Transfer of business

In the event of a transfer of business, all of the employer's rights and obligations under the employment contracts are automatically transferred to the new employer. During one year following the transfer, the former employer will remain liable, jointly and severally with the new employer, for all the obligations that became due before the date of the transfer of business. The transfer of an undertaking cannot itself be a reason for the dismissal of employees.

Upon termination of the employment agreement, employees are entitled to severance compensation payable by the employer, except in the case of termination with just cause.

² In cases of multiple births, the leave period will be increased by 30 days for each born child beyond the first child.

Severance compensation is calculated according to the monthly or daily base salary (as applicable), excluding all allowances, premiums or benefits in kind, even if they are paid on a regular basis. In case of fraction of a year, the reference value will be calculated pro rata.

Upon termination of the employment contract, for whatever reason, the employer must pay to the employee the following outstanding credits:

- (a) Any outstanding amounts for the work performed until the termination date (monthly salary, allowances, bonus, credits of professional training, etc.);
- (b) Any unpaid holiday or Christmas allowances for the previous year of employment; and
- (c) The pro rata share of the holiday and Christmas allowances for the year of the termination of the employment contract.

6.3.1. Unemployment benefits

The termination of employment contracts by the employer (collective dismissal, redundancy, ineptitude or expiration) or by mutual agreement grants to the employee, without any costs to the employer, the right to receive unemployment benefits from the Social Security.

7. Taxation

7.1. General information

Portugal's nominal tax rates are broadly in line with EU countries. Portugal offers many incentives to foreigners, like regime for non-habitual residents or free remittance of funds. Concerning the income earned abroad, Portugal has signed more than 60 double tax avoidance treaties, as well as over 50 investment protection agreements. Also, it has more than 15 tax information exchange agreements signed.

The tax system in Portugal is administered by the Portuguese Tax Authority (*Direção-Geral dos Impostos*). The Portuguese tax year follows the calendar year, closing 31 December.

7.2. Personal Income Tax (IRS)

Personal Income Tax (IRS) (*Imposto sobre o Rendimento das Pessoas Singulares*) is levied on the yearly amount of income received by resident in Portugal, after the appropriate deductions and allowances. It includes salaries, capital gains and real estate income, including income obtained abroad.

It is possible to make a number of limited income deductions in Portugal, such as:

- A general deduction for each taxpayer and each of their dependents;
- Health expenses;
- Education and training expenses;
- Elderly person's day/night care burdens;
- Burdens related to real estate and renewable energies;
- Burdens related to life and health insurance policies;
- International double taxation;
- Some special tax exemptions and/or reductions; and
- Some specific deductions depending on the kind of income obtained.

7.2.1. Income tax return

To register as a tax payer in Portugal it is necessary to fill in a registration form (*ficha de inscrição*) in local tax office. The tax registration should be done before any activity is carried out in Portugal. The annual income tax return must be completed and delivered to the Tax Authorities.

Self-employed workers must declare the beginning of their activity to the Portuguese Tax Authorities.

If a person does not comply with their tax obligations to complete the annual income tax return, will be subject to a penalty, which amount ranges from € 150 to € 3.750.

7.3. Value Added Tax

Value Added Tax (VAT) is levied on any transfer of goods and the rendering of services. The general VAT rate applicable in mainland Portugal is 23%. Therefore, certain goods and services may be subject to an intermediate VAT rate of 13% to a reduced VAT rate of 6%.

However, in the Azores and in Madeira one can count on lower taxation. In the Azores the general VAT rate is 18%, the intermediate rate is 9% and the reduced rate is 4%. In Madeira the VAT rates are 22%, 12% and 5%, respectively.

7.4. Stamp duty

Stamp duty (*Imposto do Selo* - IS) is applied on deeds, contracts, documents and papers related to the transfer of goods, including transactions carried out free of charge. The amount varies depending on the type of transaction. Stamp duty is levied on certain transactions that are exempted from VAT, including but not limited to:

- (a) Loans (up to 0.6%);
- (b) Guarantees (up to 0.6%);
- (c) Insurances (up to 9%);
- (d) Transfer of businesses (5%); and
- (e) Real estate transactions (0.8%).

7.5. Capital Gains Tax

Capital gains derived from the transfer of real estate shares, or other investments, are also considered as income. Therefore they are also taxed under the Personal Income Tax.

In case of non-residents, the capital gains, in general, are subject to a flat tax rate of 28%, except some capital gains on the disposal of shares which are exempt in certain cases.

Regarding the sale of real estate, income derived from the transfer of property is only taxed on half of their value and the applicable tax rate depends upon the resident's aggregate income. However, if a person sells their permanent residence and reinvests the capital gain obtained in the acquisition of another permanent residence in Portugal within 36 months following the sale, the capital gain is not taxed. For this exemption to apply, some requirements must be fulfilled.

7.6. Non-habitual residents

Portugal is becoming one of the preferred destinations of many high net worth individuals in the world. This is because Portugal offers a reduced income tax rate for non-habitual residents.

The non-habitual residents' tax regime offers the following advantages:

- (a) A 20% flat rate, (with an additional surcharge of 3.5%), applicable to employment and self-employment income obtained in Portugal;

- (b) An exemption on pensions obtained outside of Portugal; and
- (c) An exemption on other foreign source income and earnings, provided they may be taxed outside of Portugal under the applicable tax conventions or the OECD model (if not a tax haven) or, in case of employment income, that it is effectively taxed in the source country.

These advantages will extend for a period of 10 consecutive years as from and including the year of registration as a tax resident in Portugal.

Other benefits for high net worth individuals who take residency in Portugal include:

- (a) A tax exemption on gifts or inheritances to spouse, descendants or ascendants and a flat 10% stamp tax rate on gifts to other individuals and family members;
- (b) No special tax on the ownership of shares and bank deposits and free remittance of funds to outside of Portugal;
- (c) Property tax capped at 0.5% of the property's tax value, which is reduced to 0.3% in several municipalities. Buildings and apartments with a tax value above € 1 million are subject to an additional stamp duty of 1% on their taxable value; and
- (d) The possibility of applying for special investment residency visas (golden visa) subject to certain investment requirements.

The individual who wishes to obtain the status of a non-habitual tax resident must meet the following requirements:

- (a) Not having been a Portuguese tax resident in the 5 preceding years;
- (b) Registering as a tax resident and requesting the non-habitual residents status upon such registration or by the 31 March of the following year; and
- (c) For employment income obtained in Portugal and self-employment income obtained in and outside of Portugal to benefit from the tax reduction, such income must derive from a "high value-added" scientific, artistic or technical activity.

High value-added activities include, among others, those developed by architects, engineers, artists, actors and musicians, auditors, doctors and dentists, teachers and psychologists, liberal professions, technicians as well as investors, directors and managers of corporations.

The applicant does not need to demonstrate that he has not resided in Portugal in the five years prior to moving his tax residency to Portugal. Only when the tax authorities have reasons to believe that the individual does not meet the legal requirements, they may require the individual to present a certificate evidencing that he/she resided in a foreign country in the five years prior to moving his/her tax residency to Portugal.

Potential applicants should, prior to submitting any application, confirm the satisfaction of the relevant requirements with Portuguese legal and tax advisers.

7.7. Circulation tax

Circulation tax (*Imposto Único de Circulação* - IUC) is paid annually, on the month of the vehicle's first registration. The amount of tax paid is different for vehicles registered before and after July 2007. Owners of cars registered before July 2007 pay an amount of tax directly related to the age of the vehicle and its cubic capacity. The tax on vehicles registered after this date, it is also considered the vehicle's CO2 emissions and the power of the engine.

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