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#WHYPORTUGAL 2021

LIVING IN PORTUGAL

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KEY FIGURES

Official name: Portuguese Republic

Capital: Lisbon

Main District Capitals: Oporto, Coimbra, Aveiro, Leiria and Faro

Area: 92,152 Km²

Population: 10.347,892

Working Population: 5.165,2

GDP: EUR 187.806,5

GDP per capita: EUR 18.238,8

Currency: EUR / Euro €



AN UNIQUE COUNTRY TO LIVE IN

Portugal is a country located in the southwestern Europe, enjoying 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.

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

Portugal's ranked 5th in the 2021 Insider survey, as a country where expats are particularly happy, with a high quality of life in a sunny climate and weather.

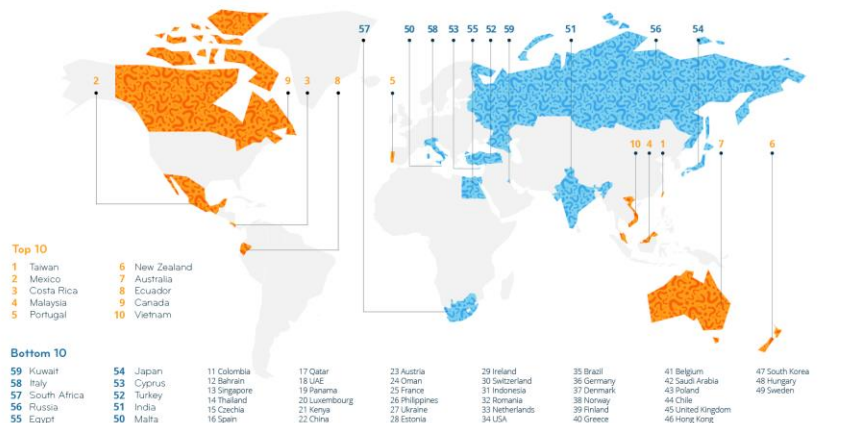
Security levels in Portugal are high when compared with most countries in the World, including Western European countries.

Portugal ranked 4th most peaceful country in the Global Peace Index.

The Global Peace Index, created by the Institute for Economics and Peace (IEP), measures “global peace” using three broad themes: the level of safety and security in society, the extent of domestic and international conflict and the degree of militarization.

Expats Destinations 2021

The Best & Worst Places for Expats in 2021



www.internations.org/expat-insider

POLITICAL CONTEXT

RECENT HISTORY

In the nineteen seventies Portugal underwent a series of major political, social and economic changes. On 25 April 1974, a military coup overthrew the fascist dictatorship and colonial regime. Today, Portugal is a republic based on a parliamentary democracy with a semi-presidential regime.

EXECUTIVE POWER

The Prime Minister is the head of the government, holds the executive power. The current Prime Minister is *António Costa*.

António Costa, the Socialist Party (PS) leader, is the prime minister since November 2015.

Far-right populism, surging across Europe, is largely absent in Portugal. The government has the support of the two far-left parties in the Parliament.

The current President of Republic is *Marcelo Rebelo de Sousa*, elected in January 2021.

LEGISLATIVE POWER

Portuguese legislative power is concentrated in a parliament called the Assembly of the Republic (*Assembleia da República*).

The Parliament has 230 seats. Its members are elected by universal vote for a 4-year term.

The executive branch of government is dependent on the support of parliament often expressed by a vote of confidence.

The Portuguese parliament is comprised of the following parties:

The left-wing parties include the Socialist Party (PS), now in government, the Left Bloc (BE); the Portuguese Communist Party (PCP) in coalition with the Green Party, People Animals and Nature Party (PAN) and Livre.

The main centre right party is the Social Democratic Party (PSD). Other right-wing parties include the Popular Party (CDS-PP), the Liberal Initiative and Chega, literally “Enough”, which seats further in the far right.

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 a member of the OECD (Organisation for Economic Co-operation and Development), EFTA (European Free Trade Association) and of the United Nations.

In regards to relations with Portuguese-speaking nations, it's worth mentioning Portugal co-founded CPLP, the Community of Portuguese Speaking Countries, in 1996. CPLP is an intergovernmental organization for cooperation among nations where Portuguese is the official language. Its current members are Portugal, Angola, Brazil, Cape Verde, Guinea-Bissau, Mozambique, São Tomé and Príncipe, Timor-Leste and Equatorial Guinea.

As mentioned, Portugal is a member of the European Union and forms part of the European Monetary System, using the European single currency, Euro.

Portugal has joined the Schengen Agreement, along with Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Hungary, Latvia, Lithuania, Italy, Luxembourg, Liechtenstein, Malta, The Netherlands, Norway, Poland, Slovakia, Slovenia, Spain, Sweden and Switzerland.

This means that a resident of Portugal or Portuguese visa holder is allowed to travel in all of these countries without any additional visas and no routine immigration checks when travelling to/from another Schengen country, allowing for faster and far more enjoyable trips.

CURRENCY AND LANGUAGE

EURO

The currency in Portugal is the Euro, which is the currency of 19 European countries. The Euro is the second most actively traded currency in the World 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 five euros, and coins of two and one euros and 50, 20, 10, five, two, and one cents. Banks are the easiest places to exchange currencies. Generally bank exchange commissions are between €3 to €5.

Debit and major credit cards (especially Visa and MasterCard) are widely accepted.

Portugal was the pioneer in establishing a countrywide ATM network, which allows the withdrawal of cash, money transfers and other services across the country. Even in more remote areas it is likely that there will be a bank branch with an ATM machine.

The main banks in Portugal are *Caixa Geral de Depósitos*, Millenium BCP, BPI, Santander and *Novo Banco*.

LANGUAGE

With its roots in the Latin language, Portuguese belongs to a group of languages called "Roman" or "Neo-Latin" that evolved from Latin. Since the fifteenth century Portuguese spread to America, Africa, India and Oceania.

Portuguese is now spoken by about 261 million in Portugal, Brazil, Angola, Mozambique, Guinea, São Tomé e Príncipe and Timor, making it the sixth most spoken language in the World.

English is spoken widely in Lisbon, Oporto, most of Algarve, and other main tourist destinations.

If you are visiting Portugal, learning just a few simple Portuguese words would surely facilitate your communication in more remote areas and with native Portuguese that are not fluent in English.

Although most Portuguese nationals do not speak Spanish, most people can understand Spanish. French is less spoken in Portugal than it used to be before it was replaced by English as the second language in schools. Still, French is spoken by some people.

FOREIGN NATIONALS' ENTRY AND PERMANENCE

EU CITIZENS

Citizens of the European Union (EU) countries, Iceland, Liechtenstein, Norway, Switzerland or Andorra do not require a visa to enter Portugal for short periods of stay, it's sufficient to hold a valid identification document. British citizens can travel to Portugal for holidays or short trips up to three months without needing a visa, holding only a valid passport which should be valid for the whole time one is in Portugal.

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 municipal council (*Câmara Municipal*) of the area of residence.

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*).

RESIDENCE PERMITS

Citizens of non-EU countries who wish to live in Portugal should request a residence visa (*visto de residência*) at the Portuguese embassy in 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 certain purposes of stay are met, such as:

- Working as a self-employed person, as an employee or to invest in Portugal as private entrepreneurs;
- Conducting research, teaching at a higher education institution or carrying out highly-skilled activity;
- Studying, volunteering or doing an internship; and
- For purposes of family reunification.

GOLDEN VISA

Nationals from outside the Schengen area can obtain a Residence Permit for Investment Activity (ARI), a visa-waiver regime which grants authorization for temporary residence for investment purposes, commonly referred to as golden visa.

Golden visas grant their holders the right to move freely within Portugal and the Schengen Area.

Holders of golden visas must undertake the obligation of investing in Portugal. The required investment can be, among others:

- Transfer capital in an amount equal to, or in excess of, €1.000.000;
- Creation, at least, 10 job vacancies; or
- Acquisition of real estate with a value equal or above €500.000.

The conditions for granting golden visa have now been reviewed and the new rules enter into force in January 2022. From then on, golden visa will no longer be granted in the metropolitan areas of Lisbon and Porto, in an attempt to divert investment to inland Portugal and the autonomous regions of Madeira and Azores.

If you are in the process of acquiring a property in Portugal and apply for a Golden visa, you should aim to file the application until December 2021.

The required investments will also be altered. According to the new requirements, only transfers of a minimum amount of €1.500.000, the acquisition of real estate in specified regions (that may be found [here](#)), transfers of €500.000 in research studies, among others will be eligible for a golden visa.

This investment must be maintained for at least 5 years, starting from the date in which the visa was issued.

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 or through a company with head-offices in a EU Member State with a permanent establishment in Portugal, which shares are held by the applicant.

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

A golden visa is valid for 1 year and it may be renewed for subsequent 2 year-periods. To renew the Golden Visa, applicants must prove they resided in Portugal for at least 7 days, consecutive or otherwise, in the first year and 14 days in the following two year periods.

GOLDEN VISA APPLICATIONS

REQUIREMENTS

To obtain a Golden Visa applicants must:

- Be physically present in Portugal for the required period;
- Register with the Portuguese Social Security Authorities if the performed business activity in Portugal is subject to registration;
- Not have been convicted of criminal offences, punishable by imprisonment of over 1 year or with the entry ban in Portugal;
- Not have been flagged in the Schengen Information System and in the Portuguese authorities' information system for the purposes of refusing entry in Portugal;
- Hold a valid Schengen visa; and
- Apply for the visa within 90 days of entry in the country.

SUBMISSION OF DOCUMENTS

Applications for ARI may be submitted online (<http://ari.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 must be submitted personally.

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

A “golden visa” holder may be eligible for the permanent right of residence, after 5 years or Portuguese nationality, after 6 years, if additional legal requirements are met.

“START-UP” VISA PROGRAM

Following the golden visa impulse, the Institute of Support to Small and Medium Enterprises and Innovation (*IAPMEI – Agência para a Competitividade e Inovação*) developed the “Start-Up Visa” program in order to promote the creation of business and innovative projects.

The program is intended for entrepreneurs who wish to develop their entrepreneurial or innovative project in Portugal, even if they haven't already set up a company or if they have business projects in their countries of origin and that wish to carry on their activity in Portugal.

Candidates must fulfil the following requirements:

- Not having permanent residence in a country pertaining to the Schengen Area
- That they have fulfilled their obligations before the Portuguese Tax Administration and Social Security (if applicable);
- Not having a criminal record;
- Being of age;
- Possessing financial resources equivalent to 12 times the Social Support Indexation (IAS)

For the presentation of the application the candidate must complete an online form, with his identification and the other entrepreneurs involved and also the description of the project, accompanied by the following documents:

- Letter of motivation;
- Copy of the passport;
- Criminal record from their origin country;
- Statement from the bank that proves the existence of own financial means of subsistence and the possibility of transferring these funds to a bank operating in Portugal; and
- Curriculum vitae;

Applicants should submit their application to one or more incubators that are on the list of certified incubators.

In a second phase, the entrepreneur must complete the application information and submit it to IAPMEI through an online platform. Eligible entrepreneurs under the program will conclude a incubation contract with the certified incubator.

PORTUGUESE PROPERTY MARKET

In 2021, and although the crisis caused by Covid-19 impacted the closing of transactions, the Portuguese housing market has remained stable and is now beginning to experience signs of growth, with greater demand from foreign investors.

The average bank appraisal on housing values of June 2021, made available by INE (*Instituto Português de Estatística*), the Portuguese statistical office, recorded an annual rate of change of 8.6%.

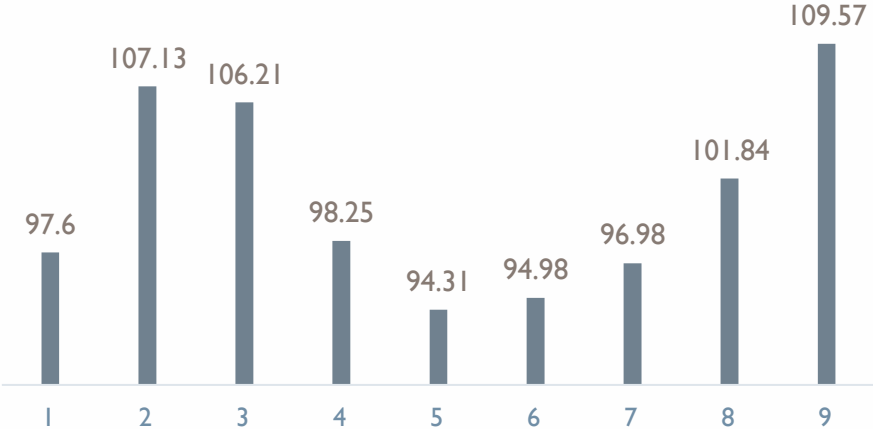
The average price of housing in Portugal in the first quarter of 2021 was estimated to be €1,241 per square metre.

The price per square meter in the metropolitan area of Oporto was, in the first quarter of 2021, set above the national value, at €1,333, while prices in Lisbon were set even higher, at €1,685.

Lisbon housing prices are among Europe's lowest.

However, Lisbon's prime residential market average price stands at €11,200 per square meter, according to the Savills Research. Prime residential property in Lisbon prices are still very reasonable compared with her European capitals making it one of the best destinations in the world to invest in.

House Prices index



BUYING A HOUSE

PROMISSORY AGREEMENT OF SALE AND PURCHASE

The procedure of acquisition of property usually starts with the execution of a Promissory Agreement of Sale and Purchase.

This agreement is not mandatory despite being intended to ensure the conclusion of a Deed of Sale and Purchase. It's signed by the two parties and it involves a down payment to the promissory seller.

For the Promissory Agreement to have real effectiveness against third parties, it's necessary to proceed to the provisional registration of the acquisition in the Land Registry Office. 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 Deed of Sale and Purchase.

The provisional registration has a cost of €250.

DEED OF SALE AND PURCHASE

A Deed of Sale and Purchase is the last step of the procedure of acquisition of property. It must 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 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, then the agreement is concluded at the Deed. In this case, the amount due is €175.

Alternatively, it is possible to carry out all these formalities through the service “*Casa Pronta*”, in a help desk or through the site www.casapronta.pt.

TAXES FOR BUYING PROPERTY

Buying a property in Portugal requires prior registration with the Tax Authorities to obtain a Portuguese taxpayer identification number.

The transaction is subject to a number of taxes and related costs.

The Municipal Tax on Property Transfer (*Imposto Municipal sobre as Transmissões Onerosas de Imóveis* – IMT) is levied on the transfer of ownership rights or parts thereof of real estate located in Portugal, regardless of how such transfer is carried out.

IMT is levied on the purchase price or the property's taxable value, computed on the higher value.

The IMT rates are:

- Up to 6.5%, in case of residential urban properties; and
- 10% if the buyer is a resident in a tax haven.

Stamp duty's tax base is the same as IMT's.

As general rule, for the acquisition of ownership or other rights on real estate, the rate is 0.8%.

However, if the transfer of ownership rights on real estate bears no cost, the stamp duty rate will be 10%.

Municipal Property Tax (*Imposto Municipal sobre Imóveis* - IMI) is levied annually on the value of urban property located in Portugal.

The IMI rates are:

- Between 0.3% and 0.5% for urban properties; and
- 7.5% for properties owned by residents in a tax haven.

RENTING A HOUSE

THE HOUSING MARKET

Portugal's housing prices continue to rise strongly, in the midst of improved economic conditions.

Rental properties are advertised in many websites specialised in real estate. In addition, ads can be found in local newspapers or magazines, some of them in English. Real estate agencies all over the country also offer short and long-term rentals.

It's worth mentioning that Local Lodging, advertised in platforms such as Airbnb, is a growing trend in Portugal. Currently there are more than 92,000 properties registered as such. Even though 2,425 properties were cancelled in the first half of the year, the number of housing units registered was higher, with a total of 3,762.

Portugal regulations (in particular the "New Urban Lease Act") are strongly pro-tenant.

LEASE AGREEMENT

Whether long or short-term, a written lease agreement is required in order to rent a property in Portugal.

The parties may stipulate a fixed term for contracts, which will be automatically renewed if none of the parties oppose the renewal of the lease. In the absence of such of a fixed term provision, the lease agreement will be considered to have the duration of 5 years.

The amount of the rent can usually be freely agreed between the parties, with the exception of low cost housing. Rental costs depend on region and particular neighbourhood and may vary according to number of bedrooms, standards of a property, and the facilities provided.

PUBLIC HEALTHCARE

In Portugal, access to public healthcare is free to all residents. The World Health Report by the World Health Organisation ranked the Portuguese healthcare system in 12th place.

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

In Portugal there are several private health establishments and health practitioners who operate on a freelance basis and provide additional sources of healthcare. One can access them directly or through the wide range of private health insurance.

EU nationals living in Portugal will be pleased to find that medical appointments with a general practitioner and basic vaccines are free. However, beneficiaries pay a fee (*taxa moderadora*) for each appointment or treatment provided through public healthcare. A regular appointment in a health centre, 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.

The Portuguese State pays part of the cost of most medicines, though some are totally reimbursed, particularly vital medication for treating serious illnesses. Patients are partially reimbursed when they purchase medicines with a medical prescription.

EDUCATION SYSTEM

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 enrol 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 enrol the child with a public or private school and 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	Preschool			1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th	9 th	10 th	11 th	12 th	
Level/ Cycle	Preschool			1 st cycle			2 nd cycle		3 rd cycle			Secondary education				
				Primary education												

EDUCATION LEVELS

PRE-PRIMARY, PRIMARY AND SECONDARY 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.

Public primary school is universal, compulsory and free of charge in respect to enrolment, attendance and certification fees and costs.

Access to secondary education requires a prior completion of primary school. It takes 3 years and includes courses mainly professional courses.

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

HIGHER EDUCATION

It includes universities and polytechnic schools. Access to higher education requires prior completion and approval in secondary school or equivalent.

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

According to the Times Higher Education World University Rankings of 2020, there are 12 Portuguese Universities ranked in the Top Universities in the world.

Also, the Financial Times has ranked Nova School of Business and Economics as 16th in the Masters in Management Ranking as well as 47th in the Executive Education Rankings where Católica Lisbon School of Business and Economics also appears in the 72nd position.

JUDICIAL SYSTEM

The Portuguese judicial system is divided in two jurisdictions, the civil jurisdiction and the administrative jurisdiction. In both, courts are organized into three tiers 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 second instance courts and have district jurisdiction, they decide on appeals of the lower courts' decisions.

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.

Nevertheless, 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 are also Justices of Peace (*Julgados de Paz*), which mainly deal with dispute resolution in low-value cases, as 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*).

Constitutional Court is specially entrusted with assessing law's compliance with the Portuguese Constitution.

COURT FEES AND LEGAL COSTS

COURT FEES

Court fees must be paid for each judicial action brought to the court, their amount depends on the value of the claim at stake.

Court fees must be paid at the beginning of a judicial action. However, if the value of the claim is higher than €275.000,00 an additional payment may be required at the end.

Court fees are proportional to the value of the claim at stake without any limit, for example:

- Judicial action worth €1M estimated court fees: €10.506
- Judicial action worth €10 M estimated court fees: €120.666
- Judicial action worth €100 M estimated court fees: €1.222.266

PARTY COSTS

Legal party costs are the legal expenses incurred by the successful party which is borne by the other party if the successful party asks for it.

Legal party costs encompass: (i) the judicial fee paid by the successful party; (ii) + 50% of the fees paid by both parties, for example:

- Judicial action worth €1M estimated party costs: €7.701
- Judicial action worth €10 M estimated party costs: €62.781
- Judicial action worth €100 M estimated party costs: €563.581

Additionally, whoever brings the action to court and wins must pay the court the remaining amounts not encompassed by the legal party costs.

EMPLOYMENT CONTRACTS

In general, employment contracts do not need to be in writing. The law only requires a written document for some types of contracts, including, but not limited to, term contracts, part-time contracts, contracts with foreign employees, and secondment contracts.

Regardless of the type of contract, the employer must inform in writing the employee on working conditions, including workplace, job position, term and relevant grounds, employee's pay, collective bargaining instrument (if any), employer's accident insurance policy and employee's compensation fund, within 60 days from the effective date of the contract.

Salary. Employees are entitled to a minimum monthly salary set out by the Government. In addition, employees are entitled to receive Christmas bonus and holiday bonus.

Working hours. The maximum regular working period is of forty hours per week, eight hours per day. Employees are entitled to a minimum rest period of eleven consecutive hours between two successive daily work periods, as well as to one day of rest per week. An additional half or full day of rest (in all or in certain weeks of the year) may be also given other than the rest day required by law.

Holidays. Employees are entitled to twenty-two working days of paid holiday per year, and national public holidays.

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

Health and safety. The employer must ensure employees health and safety conditions at work and hence comply with a set of general principles and duties aiming at the prevention of work accidents and professional illnesses.

Employers are obliged to ensure: (i) technical work accident preventive measures; (ii) employee training, information and consultation on workplace safety; (iii) internal or external health and safety services. The employer must also contract an insurance to cover work accidents risks for each employee.

Social Security. The Social Security contribution is a tax levied on the labour income, which is charged to employers and employees at the rates of 23.75% and 11% respectively.

MANDATORY APPLICATION OF PORTUGUESE LAW RULES

Generally, the employer and the employee may choose the applicable law, subject to the conditions set in the Rome I Regulation, which establishes rules for determining the law applicable to international employment contracts that give the parties the freedom to choose the applicable law and establishes some safeguards for the employee as the weaker party to the contract.

In the absence of an explicit choice of law, the employment contract will be governed by:

- The law of the country in which the employee habitually carries out his/her work in performance of the contract;

Failing that:

- The law of the country from which the employee habitually carries out his/her work in performance of the contract;

Failing that:

- The law of the country where the place of business through which the employee was engaged is situated.

The choice of law must not however deprive employees of the protection afforded by legal mandatory provisions that would apply under the law that, in the absence of choice, would have been applicable.

Portuguese courts have understood as mandatory provisions, among others, the following matters:

- Contract termination, especially dismissal;
- Maximum working time and minimum rest periods;
- Paid holiday leave and public holidays;
- Minimum wage and payment of overtime work;
- Health, safety and hygiene at work;
- Maternity and paternity protection;
- Protection of minors at work;
- Equal treatment and non-discrimination.

SALARY

Employees are entitled to a minimum salary, which is set by the Portuguese Government and updated annually based on the cost of living, national productivity and the government's prices and incomes policy.

Portugal's minimum salary is calculated based on a flat monthly rate. The national minimum salary in Portugal in 2021 is €665 per month (based on 14 payments a year). For certain jobs and professions, the minimum salary may be agreed by collective bargaining agreements, which can never set an amount lower than the minimum salary legally set out by the Government.

The salary must be paid on a regular and permanent basis and may be fixed, variable or mixed (comprising fixed and variable components).

In addition to the salary, employees are entitled to:

- Christmas bonus: equal to one month salary payable until 15 December of each year; and
- Holiday bonus: equal to one month salary payable before the holiday leave period.

Employers may not offset credits held over employees against any salary or

make any discounts or deductions from employees' salary during the period the employment contract is in force.

There are however exceptions (and up to certain limits), including:

- Deductions in favor of the State, Social Security or other entities ordered by law, court decision or mediation settlement, provided that such decision or settlement has been notified to the employer;
- Compensation determined by a court decision or a mediation settlement;
- Monetary penalties resulting from a disciplinary procedure;
- Repayment of capital and payment of interest on loans granted by the employer to the employee;
- Prices of meals at the workplace, use of telephones, supply of assets, petrol or materials, when requested by the employee, as well as other costs incurred by and with the employer's consent on behalf of the employee; and

SALARY (CONT.)

- Subsidies or payments made in advance and on account of the employee's salary.

HOLIDAY RIGHTS

Employees are entitled to 22 working days of paid holiday per year which may not be replaced by any compensation, financial or otherwise, even if upon employee's approval. Employees may waive the part of their holiday rights exceeding 20 working days.

In the same working year, the holiday leave period cannot exceed 30 working days, save as otherwise established by collective bargaining agreement or another instrument.

The holiday right becomes due on January 1 of the following year, except:

- In the hiring year and after six months of work, the employee is entitled to two working days of holiday per each complete month of work up to 20 working days. If the end of the year is reached before this period or before the employee takes his/her holiday, the employee may enjoy the holiday leave period until June 30 of the following year;
- In case of employment contracts up to six months, the employee is entitled to two working days of holiday per each complete month of work;
- In case of employment contracts up to 12 months or ending in the year

subsequent to the hiring year, employee is entitled to a holiday leave period pro rata to the duration of the employment contract.

As a rule, the holiday leave period should be taken in the same year it becomes due. However, in exceptional cases, employees may take the holiday leave period afterwards so far as this takes place until April 30 of the subsequent year and upon employer's agreement.

The schedule of the holiday leave period should be agreed between the employer and the employee. In case this agreement fails, the employer must schedule the holiday leave period and give the employee the right to take the holiday between May 1 and October 31.

Regardless of agreement between the employee and the employer, employees are entitled to, at least, take 10 consecutive working days of holiday leave period.

Employer's failure to comply with the holiday's schedule constitutes a serious administrative offence and may entail the payment of fines which vary according to the employer's turnover.

HOLIDAY RIGHTS (CONT.)

In addition, employees are entitled to take the day off in public holidays. Presently, the public holidays in Portugal are: January 1, Good Friday, Easter, April 25, May 1, Corpus Christi, June 10, August 15, October 5, November 1, December 1, 8 and 25.

PARENTAL RIGHTS

In case employees' work duties entail clinical risks to a pregnant employee or to her unborn child, the employer will either:

- Provide the pregnant employee with alternative working conditions;
- Replace the employee to a workplace compatible with her pregnant condition; or
- Avoid pregnant employee's exposure to risks for as long as necessary.

Pregnant employees are exempt from performing night shifts, working overtime, in hour banks or in concentrated working schedules. They are also entitled to a work leave to attend prenatal medical appointments and, after the birth, to breastfeed the baby.

Employees (mothers or fathers) are entitled to an initial parental paid leave of 120 or 150 consecutive days and corresponding to 100% or 80% of the salary, respectively.

If both parents share the initial parental leave, the leave period may be increased by 30 days. In this case, and after the mandatory six-week period to be taken by the mother after childbirth, both parents must take 30

consecutive days or two periods of 15 consecutive days.

Female employees must take a six-week period leave immediately after childbirth and may take 30 days before birth, in which case the employer must be informed within at least 10 days in advance (or as soon as possible, in case of a medical emergency) and receive a doctor's statement with the expected due date.

An employee who becomes a father is entitled to take a paid leave of 20 working days, consecutive or interpolated, five of which consecutive and taken right after childbirth, all in the 6 weeks immediately after childbirth.

After the mandatory period above, a father has the right to five additional working days, successively or alternatively, along with the mother's initial parental leave.

The termination of an employment contract of a puerperal, pregnant or nursing woman requires a prior legal opinion of the Commission for Employment Equality (*Comissão para a Igualdade no Trabalho e no Emprego*).

RESTRICTIVE COVENANTS

As a rule, restrictive covenants during employment or after its severance are void. However, it is possible to include non-compete and non-termination covenants in certain conditions.

EXCLUSIVITY AND NON-COMPETE COVENANTS

Exclusivity clauses (during employment) and non-compete agreements (after termination) are allowed if the following requirements are met:

- The non-compete covenant is agreed in writing (for instance, under the employment contract);
- The performance of a competing activity by the employee is likely to cause harm to the employer;
- Compensation amount is agreed and payable to the employee; and
- The non-competition covenant may not exceed two years after the termination of the contract or, in some exceptional cases, up to three years if the activity performed entails a special relationship of trust or access to sensitive information.

NON-TERMINATION COVENANT

In order to compensate the employer for high expenses incurred with the employee's professional training, employees may also agree non-termination covenants, whereby the employee undertakes not to terminate the contract during a period of no more than three years. The employee may in any case anticipate the end of this period by reimbursing the employer for the relevant expenses incurred.

To enforce restrictive covenants after termination of the employment contract, the agreement must state either the compensation amount payable to the employee or its calculation criteria.

This compensation could be paid in instalments during the term of the agreement or all at once. The parties may also agree on contractual penalties applicable in case of breach of restrictive covenants.

GARDEN LEAVE

In the context of pending disciplinary proceedings, garden leaves are permitted under law, particularly after the accusation note has been served to the employee.

DURATION OF EMPLOYMENT CONTRACTS

OPEN-ENDED AND TERM CONTRACTS

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

Term employment contracts must contain a detailed description of the relevant grounds and there must be a clear connection between the relevant grounds and the term. Otherwise, the employer may be subject to fines and the term contract could be legally converted into an open-ended employment contract.

Unfixed-term contracts do not have a specified end date and are terminated with 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 four years.

When the parties do not agree a term (fixed or unfixed) for the contract, the employment contract is deemed permanent, which means that the

employer may only terminate the contract in the circumstances specified in the law, that is, in case just cause.

PROBATION PERIOD

The probation period is the period during which either party may unilaterally terminate the contract without prior notice and without cause, during which no compensation required.

For open-ended contracts the maximum probationary period is:

- 240 days for employees with management or senior positions;
- 180 days for employees with job positions of technical complexity, high degree of responsibility or which require special qualifications, for employees who perform duties of confidence, and for those looking for a first job or are long-term unemployed; and
- 90 days for other employees;
- The maximum probationary period is for fixed and unfixed-term contracts is:

DURATION OF EMPLOYMENT CONTRACTS (CONT.)

- 30 days for contracts with a duration equal or higher than six months;
and
- 15 days for contracts with a duration of less than six months.

TERMINATION OF EMPLOYMENT CONTRACTS

Term employment contracts expire at the end of their initial or renewal term, provided that serves a termination notice to the employee as follows:

- In fixed-term contracts, 15 days prior to the term of the contract; and
- In unfixd-term contracts, 7, 30 or 60 days prior to the relevant date if the employment contract has lasted for less than 6 months, from 6 months to 2 years, or more than 2 years, respectively.

A collective dismissal is possible if the employer intends to dismiss a minimum of 2 employees (in companies with less than 50 employees) or 5 (in companies with 50 or more employees) within a 3-month period. Collective dismissal must have one of the following grounds: (i) market reasons, (ii) organization-related and economic reasons and/or (iii) technological reasons.

When the number of employees to be dismissed does not fall under the collective dismissal thresholds, the employer may opt to make one or more employees redundant on the same grounds as collective dismissal. Redundancy meet the following requirements: (i) the reasons for the termination may not relate to an intentional behaviour of the parties and

(ii) the tasks of the employee made redundant are not being performed by employees hired under term employment agreements.

Employers may terminate individual contracts for:

- Employee's ineptitude when the employee demonstrates ineptitude or inability to perform the assigned tasks, provided that such ineptitude occurs in the course of the performance of the functions.
- Employee's breach of his/her employment duties.

Termination for breach must be carried out following a disciplinary procedure against the defaulting employee.

Failure to comply termination rules and the formal procedures required by law, makes the termination unlawful and entitle the employee to (i) compensation for damages; (ii) receive the salaries (including holiday and Christmas bonuses) since the dismissal date until the date of court's ruling and (iii) to be reinstated or receive the compensation set by the court.

TERMINATION OF EMPLOYMENT CONTRACTS (CONT.)

The employee and the employer are free to agree to terminate the employment contract. The termination agreement must be made in writing and may be revoked by the employee within seven days from the effective date, except if the agreement is executed before a public notary.

SEVERANCE COMPENSATION

Employees subject to collective dismissal, redundancy or employee's ineptitude are entitled to severance compensation.

OPEN-ENDED CONTRACTS

For open-ended contracts entered into before 1 November 2011, the severance compensation will be calculated as follows:

- Until 31 October 2012: 1 monthly base salary and seniority per each year of employment;
- Between 1 November 2012 and 30 September 2013: 20 days of monthly base salary and seniority per each year of employment; the amount of the monthly base salary and seniority may not be higher than 20 times the minimum monthly salary;
- After 1 October 2013: 18 days of monthly base salary and seniority per each year of employment in the first 3 years of the contract, and 12 days of monthly base salary and seniority per each year of employment in the following years (the New Rules).

TERM CONTRACTS

For term contracts entered into before 1 November 2011, the severance compensation will be as follows:

- Until 31 October 2012: 3 or 2 days of base salary and seniority per each month of employment, if the term of the employment is lesser or higher than 6 months, respectively, with a minimum of 3 monthly base salaries;
- After 1 November 2012 and until 30 September 2013: 20 days of monthly base salary and seniority per each year of employment; the amount of the monthly base salary and seniority may not be higher than 20 times the minimum monthly salary;
- After 1 October 2013: it is applicable the New Rules; and
- Minimum compensation is 3 monthly base salaries and seniority.

In addition to the severance compensation, employees are entitled to all other existing labour credits.

GENERAL TAXES

Portugal's nominal tax rates are broadly in line with EU countries.

However, Portugal offers many incentives to foreigners, such as the Non-habitual Resident Tax Regime or free remittance of funds, increasing the attractiveness of Portugal, while giving evidence of the Portuguese commitment to attract the best international talent.

Concerning the income earned abroad, Portugal has signed more than 60 double tax avoidance treaties, including with Malta, Macao, United States of America, Poland, Russia and Hong Kong, just to name a few.

Additionally, Portugal has signed over 50 bilateral agreements for the promotion and reciprocal protection of investment. Also, it has more than 15 Tax information exchange agreements signed.

The tax system in Portugal is administered by the Directorate General for Taxation (DGCI), responsible for the management of taxes on income, on wealth, and general excise taxes in conformity with the tax policies determined by the Government.

The main taxes levied on individuals in Portugal are:

- The Personal Income Tax (IRS);
- The Value Added Tax (IVA);
- The Stamp Duty (IS);
- The Municipal Tax on Real Estate Transfer (IMT); and
- The Municipal Tax on Real Property (IMI).

PERSONAL INCOME TAX (IRS)

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

It is possible to make some 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.

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.

Capital gains obtained by non-residents are subject to a flat tax rate of 28%, except capital gains from disposal of shares.

Income derived from the transfer of property is only taxed on half of their value and the applicable tax rate depends on 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 of the sale, the capital gain is not taxed. For this exemption to apply, certain requirements must be fulfilled.

To register as a taxpayer in Portugal it is necessary to fill out a registration form in local tax office. This registration should be done before any activity is carried out in Portugal.

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

PERSONAL INCOME TAX (IRS) (CONT.)

A late return of the annual income tax is subject to a fine ranging from €150 to €3,750.

TAXES ON TRANSACTIONS

VALUE ADDED TAX

Value Added Tax (VAT) is levied on any transfer of goods and rendering of services.

The general VAT rate applicable in mainland Portugal is 23%.

However, certain goods and services may be subject to an intermediate VAT rate of 13% and 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.

STAMP DUTY

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

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

NON-HABITUAL RESIDENTS TAX REGIME

The non-habitual resident (NHR) tax regime offers non-residents the opportunity of becoming tax residents in Portugal and benefit from a more favourable tax regime over certain Portuguese and foreign source income without the need to make any investments.

The main advantages of the NHR tax regime are:

- Employment and self-employment income obtained in Portugal will be subject to a 20% flat rate, with an additional surcharge of 3.5%;
- Pensions obtained outside of Portugal will be tax exempt (except for State pensions); and
- Other foreign source income and earnings will be tax exempt, provided they may be taxed outside of Portugal under the applicable tax conventions or the OECD model or, in case of employment income, 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.

To obtain the NHR status the following requirements must be met:

- Not having been a Portuguese tax resident in the 5 preceding years;
- Registering as a tax resident and requesting the NHR status upon such registration or by the 31st of March of the following year; and
- In case of employment income obtained in Portugal and self-employment income obtained both in or outside of Portugal, having a “high value-added” scientific, artistic or technical activity.

High value-added activities include, among others, architects, engineers, plastic artists, actors and musicians, auditors, doctors and dentists, teachers and psychologists, liberal professions, technicians and similar and investors, directors and managers.

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

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ABOUT US

WHO WE ARE & WHAT WE DO

ABOUT US

MACEDO VITORINO is a leading Portuguese law firm. We advise domestic and foreign clients in a wide range of business sectors, including banking, distribution, industry, energy, TMT and projects. We are known for our professional and client oriented approach to complex and difficult matters.

Since the foundation of our firm in 1996 we have been involved in several high profile transactions in all of the firm's fields of practice, including banking and finance, capital markets, corporate and M&A, etc.. We have also acted on many complex disputes and restructurings.

We have strong relationships with many of the leading international firms in Europe, Asia and the Americas, which enable us to handle cross-border transactions effectively.

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