

# **Tax flash**

## **Extraordinary Tax Rate - Personal Income Tax**

**15 July 2011**

The Portuguese Government proposed an extraordinary personal income tax rate. This measure should only be applicable to income received in 2011.

This extraordinary tax rate amounts to 3.5% and will be applicable to all income that should be included in the personal income tax return by Portuguese tax residents:

- Employment income;
- Business and professional income;
- Investment income;
- Rental income;
- Capital Gains; and
- Pensions

This extraordinary tax rate will also be applicable to other type of income subject to special tax rates, namely capital gains on the sale of shares.

This extraordinary tax rate will be applicable on the net income that exceeds the annual minimum wage (Euros 6,790), per individual taxpayer, with a deduction based on the number of dependents (Euros 12.13 per dependent).

### **Employment and pension income**

Individuals that receive employment and pension income will be subject to a 50% withholding tax regarding their Christmas allowance, after deduction of the regular withholding tax, social security contributions and the minimum wage amount (Euros 485).

This withholding tax is considered as a payment on account against the final tax due that will be assessed with the submission of the personal income tax return.

In case the withholding tax levied is higher or lower than the final extraordinary tax due, an extra payment or a reimbursement should be made.

### **Other Income**

In respect of other sources of income, the extraordinary tax rate will be applicable and calculated upon filing of the 2011 personal income tax return.

**For some practical examples of this extraordinary tax rate, please click here.**

### **For further information**

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