

# IRS PERSONAL INCOME TAX 2025: WHAT YOU NEED TO KNOW ABOUT IT THIS YEAR

## ALL FINANCE MATTERS

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The IRS delivery time begins on the 1st of April and will run until the 30th of June. So now it's that time of the year when we need to clarify some of your questions concerning this important task.

### **In which form can I submit my IRS tax return in Portugal?**

All IRS tax declarations are exclusively submitted online, so if you don't yet have a password to access the tax portal, it's important to request one per taxpayer. As the tax website is only in Portuguese, this may be a difficult task if you don't understand the language; ask your accountant to get this for you.

### **When do I need to submit my IRS tax return in Portugal?**

All IRS tax returns, independent of the income earned, must be submitted from the 1st of April until the 30th of June.

### **What is the period covered in my Portuguese IRS tax return?**

The tax year in Portugal is the same as the civil year, so you declare the income from the 1st of January until the 31st of December.

### **I arrived in Portugal last year. Do I need to submit a return? I don't have my residency card yet, and I am still waiting for the appointment with AIMA.**

In the first year of residency, you must submit a tax return for the period you were in Portugal (from ... to 31/12). The same happens to all those who stopped being Portuguese residents; they need to submit a tax return from 01/01 until the date they left. However, if you have not yet got your residency permit, you are not yet a tax resident as you can only apply for tax residency, once you have the residency permit.

### **What happens if I must submit tax returns in more than one country and the information is not ready before the end of June?**

If, for any reason, you don't have all the information required to submit the tax return in Portugal by the end of June, you may submit a request in the tax portal to allow you to submit the tax return until the end of December of the current year.

## **I need to submit my taxes in the US in April. Where should I file first?**

Your Portuguese accountant must give you an estimate of the tax you pay in Portugal, so you can include in your US tax declaration, the amount of tax you will spend in Portugal. Or you can file for an extension for your US taxes, as you are now a non-resident in the US.

## **Who needs to fill out an IRS tax return in Portugal?**

All the tax residents must submit to declare their worldwide income in Portugal. The non-residents who earned income from Portuguese sources must also submit the IRS tax return. There are exceptions for residents who have earned only salaries or pensions from Portuguese sources lower than 8.500€ per year, and when there wasn't any tax deducted on the source, and in case they received alimony income up to 4.104€. Also, if you earned income from category B (sole trader) from a unique transaction (ato isolado), this income is lower than 1.921,72€.

## **Do I fill a joint return with my partner or one each?**

The general rule is that married couples are taxed separately, and the personal income tax due will be assessed individually. However, both married couples and living-together couples have the option to be taxed jointly. It's essential to ask your accountant to simulate the two scenarios and see what is more advantageous.

## **What happens if I forget to file a return or do it incorrectly?**

It's important to be aware that the fines for non-compliance with the dates can be very high. Fines can go from 37.50€ to 112,50€ for a delay of 30 days. However, depending on the type of misconduct, mainly fraud, fines go from 375€ to 22.500€.

## **I'm a non-resident. Do I need to submit a return?**

Are you sure that you are a non-resident? Do you have a fiscal representative? If not, where do you receive your IMI council tax bills? If you receive them at your property in Portugal, then most likely you are a resident for tax purposes in Portugal. If you are a non-resident, you will only submit an IRS return in Portugal if you have income from a Portuguese source (including property rental or property sale, even if you haven't made a capital gain).

## **I sold my property in Portugal last year, but I'm a non-resident. Do I need to submit a tax declaration?**

All property transactions in Portugal need to be declared, irrespective of your residency or if you made a gain or not.

## **What are the tax deductions in Portugal?**

Tax deductions are the amount that can be "deducted" from the IRS calculated annually for each household. These deductions are made in relation to the dependents of the household and ascendants who live in common housing with the taxpayer and on the collection of invoices related to General family expenses, Health and health insurance expenses, Education and training expenses, and Property charges. Other deductions relate to alimony pensions paid, International double taxation, and disabilities of any of the members of the household.

Although all these categories fall under tax deductions, there are some categories that largely depend on the requirement for an invoice with each taxpayer's NIF. However, please note that if you are tax-exempt due to the NHR, for instance, or if your income is taxed at a flat rate (also common with the NHR status), these deductions will not be applicable. Most of these are only applicable to incomes that are taxed at progressive tax rates.

## **When do I need to pay my IRS?**

After submitting your tax return, the tax authorities will validate your declaration, and you will receive a tax bill in July or August by post, giving you 30 days to pay. Please note that if you intend to be away during the warmer months and don't have a fiscal representative to receive your bills, you will incur monthly interest charges and penalties if paying out of date.

## **Some suggestions to make your IRS this year a stress-free task**

We strongly advise our customers to prepare everything with time, to complete this process smoothly:

**PASSWORD:** Make sure you and your partner have a password to access the Tax Portal. If you do not have one, request a new one immediately;

**COPY OF ID AND NIF:** for you, your partner, and any dependents you may have;

**DECLARATIONS OF INCOME:** gather the statements of income and withholding taxes;

**BANK ACCOUNT:** your IBAN will be necessary to include on your IRS return and will make any tax refund much quicker. This also includes the IBANs from any foreign bank accounts opened in your name.

**CGT:** if you have sold a property, make copies of the deeds (for purchase and for sale) and gather invoices for the real estate commission and home improvements in the last 12 years. These can be deducted against any capital gain tax.

Remember if you have a resident status but your income was earned abroad, you have to deliver along with the tax return the 'J' Annex which discriminates the values received abroad. There are taxation agreements between Portugal and several countries to avoid double taxation, so the impact this will have on your IRS will depend on several factors. If you are registered as a non-habitual resident, don't forget you must fill in Annex L and include the IBAN information on all your bank accounts abroad.

And remember, we can assist you with all this bureaucracy and avoid late submission fines.

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**"YOU MUST PAY TAXES, BUT THERE'S NO LAW THAT SAYS YOU NEED TO LEAVE A TIP."**