



# THE APPLICABLE COEFFICIENT FOR INSURANCE MEDIATION ACTIVITY (PIV\_24975)

## ALL FINANCE MATTERS

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## **The applicable coefficient for insurance mediation activity**

Coeficiente aplicável à atividade de mediação de Seguros\_PIV 24975

### **What is Informação Vinculativa (Binding Information)?**

Binding Information, refers to an official response issued by tax authorities in Portugal, addressing specific queries from taxpayers regarding the interpretation or application of tax laws in particular situations. These rulings hold legal authority and must be followed by both the taxpayer and the tax authority, provided that the circumstances remain unchanged.

#### **Importance of Binding Information:**

**Formality:** They provide an official and authoritative interpretation of tax legislation.

**Obligation:** Both the tax authority and the taxpayer must adhere to the ruling, provided the facts presented remain unchanged.

**Legal Certainty:** Binding rulings offer taxpayers clarity and legal certainty regarding their tax obligations. By outlining how tax laws apply to their specific circumstances, taxpayers can plan and conduct their financial activities with confidence.

**Procedure:** Taxpayers must formally request binding information by detailing their specific circumstances for accurate analysis.

**Facilitating Planning:** Provides confidence for taxpayers in planning their financial activities.

**Avoiding Disputes:** Ensures compliance with tax laws, thereby reducing potential disputes with tax authorities.

**Ensuring Fairness:** Promotes fairness in tax treatment by providing consistent interpretations of tax laws.

#### **Example Scenario:**

**Article/Item:** : Article 31 – Simplified regime

**Subject:** : The applicable coefficient for insurance mediation activity

#### **Content:**

The applicant requests binding information regarding the applicable coefficient, under the terms of Article 31 of the IRS Code, to income derived from the exercise of the insurance mediation activity.

To clarify:

– The applicant carries out activities under the Insurance Agent category – Life and Non-Life branches, and is subject to the simplified taxation regime for Income Tax based on the primary activity with CAE 65111 – “Life Insurance,” and secondary activities with CAE 65120 – “Non-Life Insurance” and CIRS code 1519 – “Other service providers” since 2019.

- The insurance mediation activity is regulated by Decree-Law No. 144/2006, of July 31, and involves presenting and proposing insurance contracts, performing preparatory acts for their conclusion, entering into these contracts, supporting their management and execution, collecting premiums or sums for policyholders, insured parties, or beneficiaries, and bearing special information duties toward the client.

- The mentioned activity is not specifically listed in the table of Article 151 of the IRS Code, and thus, the applicant seeks clarification regarding the applicable coefficient to income from both life and non-life insurance activities.

### **Information:**

1. For IRS purposes, the applicant is subject to the simplified taxation regime for the main activity with CAE 65111 - "Life insurance" and for the following secondary activities: CIRS Code 1519 - "Other service providers" CAE 65120 - "Non-life insurance" and CAE 68100 - "Buying and selling of real estate."

2. From the consultation of the National Association of Insurance Agents and Brokers (APROSE) website, the following can be noted regarding the insurance mediator:

- An insurance mediator is an individual or entity that can be classified as an agent or broker, depending on their structure, organization, and independence from insurers. They act as an intermediary between the insurer and the consumer in the contracting of insurance and the consequent transfer of risks from the consumer to the insurer.

- The activity of insurance distribution and mediation is regulated by law due to its significance, social, economic, financial, and legal importance. The legal framework currently governing this activity is Law No. 7/2019, of January 16.

- The law defines the insurance mediator as any individual or entity, excluding insurance or reinsurance companies and their employees, as well as "ancillary insurance mediators (MSTA)," who initiate or engage, for remuneration, in the activity of insurance distribution.

- For someone to be able to refer to themselves as an insurance mediator, it is essential that the individual or entity has been authorized by the supervisory body of the insurance activity [Insurance and Pension Funds Supervisory Authority (ASF)].

3. APROSE also mentions in the "Glossary" published on its website that, for remuneration, it means: "A commission, fees, charges, or other payment, including any economic benefit of any kind, or any other financial or non-financial advantage or incentive offered or granted in exchange for insurance or reinsurance distribution activities."

4. Regarding the description in the petition of the procedures to be car-

ried out in the exercise of the insurance mediation activity, these can be considered as preparatory acts, collaboration, and client support for the conclusion of insurance contracts.

5. Based on the above, it is informed that, for the purposes of this tax, the activities carried out by IRS taxpayers are classified according to the Portuguese Classification of Economic Activities, Revision 3 (CAE – Rev. 3), approved by Decree-Law No. 381/2007, of November 14, from the National Institute of Statistics, or according to the codes mentioned in the activity table, approved by Order No. 1011/2001, of August 21, as provided by Article 151 of the IRS Code.

6. The classification of activities for IRS purposes is carried out based on the declarations submitted by the taxpayers, regarding the start, changes, or other elements they have, and the Tax Authority maintains and updates a register of IRS taxpayers, under Article 150 of the IRS Code.

7. It is understood, for IRS purposes, that the exercise of the insurance mediation activity, both life and non-life, falls under item b) of paragraph 1 of Article 3 of the IRS Code, and constitutes a service provision specifically included in the activity table referred to in Article 151 of the IRS Code, under the CIRS code 1319 – “commission agents,” given the nature and scope of this activity.

8. Therefore, the income derived from the exercise of the insurance mediation activity should be declared in box 403 of table 4 A of Annex B of the IRS Model 3 tax return, where the taxable income is determined through the application of the 0.75 coefficient provided in item b) of paragraph 1 of Article 31 of the IRS Code.

9. It should also be noted that the activity with the CIRS code 1519 – “Other service providers” found in the activity table of Article 151 of the IRS Code, due to its residual nature, and considering that it does not specify a particular activity, should include taxpayers whose service provision does not fall into any of the activities classified under a CIRS code.

### **Conclusion:**

Binding information is essential as it provides taxpayers with clear, authoritative guidance on specific tax matters. In this case, it clarifies the applicable coefficient for income derived from insurance mediation activities under the simplified taxation regime, as per Article 31 of the IRS Code. By understanding that the income from these activities should be declared under the “commission agents” classification (CIRS code 1319) using the 0.75 coefficient, taxpayers can ensure compliance with the tax regulations. This knowledge allows taxpayers to correctly declare their taxable income and avoid potential issues related to improper classification or incorrect declarations.





For any inquiries or support with tax compliance for businesses or individuals, our team is here to assist you. From understanding tax obligations to ensuring full compliance with the latest regulations, we provide expert guidance tailored to your needs. Feel free to reach out to us at [info@afm.tax](mailto:info@afm.tax) or call us at +351 281 029 059.

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