



## GES NewsFlash

# Portugal — The new extraordinary Portuguese surtax

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Portugal has introduced a 3.5% extraordinary surtax applicable only to 2011 income obtained by resident taxpayers.

### Application of the extraordinary surtax

The extraordinary surtax of 3.5% will be applicable to aggregated personal income, that exceeds the annual value of the national minimum wage (€6,790). The following types of income are included:

1. Taxable income:
  - a. Employment income
  - b. Business and self-employment income
  - c. Investment income taxed at progressive rates (does not include interest and dividends)
  - d. Rental income
  - e. Capital gains arising from the sale of immovable property
  - f. Other net worth increases (such as indemnities)
  - g. Pensions
2. Other income liable to personal income tax at special taxes:
  - a. Tips
  - b. Capital gains from the sale of stock
  - c. Nonjustified net worth increases
  - d. The net income received from employment income and professional income from activities of high value, obtained by nonhabitual residents in Portugal.

### Withholding tax

Employers and entities obliged to pay employment and pension income shall withhold 50% of the value of a Christmas allowance which exceeds the value of the minimum national wage (€485), after the deduction of the standard monthly withholding tax, and mandatory contributions to social security system.

### Application period

The extraordinary surtax shall apply only to income obtained by resident taxpayers during 2011; currently, the government intends not to apply it in 2012 (although the top marginal rate is expected to rise in 2012).

## Deloitte's view

The extraordinary surtax was presented as a crucial part of budgetary consolidation efforts established by the Portuguese government for 2011.

Together with normal marginal tax rates that vary from 11.5% to 46.5%, the extraordinary surtax can represent a maximum tax rate on personal income of up to 50%.

This implies the revision of all hypothetical tax computations, tax equalization settlements, gross-ups, and other relevant calculations that have already been done for 2011, as the tax liability of expatriates for 2011 is now underestimated.

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## People to contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals at our Deloitte offices:

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