



# Thinking beyond borders: Management of extended business travelers - Portugal

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**01**

**Key message**

# 1 Key message

Extended business travellers are likely to be taxed on employment income related to their Portuguese working days, provided that their income is paid, or the related costs are recharged to a Portuguese entity.

A person's liability to Portuguese tax is determined by the residence status and the source of income received by the individual.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Liability for income tax

A person's liability for Portuguese income tax is determined by the residency status.

An individual will be regarded as resident in Portugal for tax purposes, in the year or part of the year, to which the income relates to, in case the individual:

- spends more than 183 days – continuously or not - in the country/jurisdiction within a 12- month period, or
- spent less than 183 days herein, at any time of the referred 12-month period, accommodation available in the country/jurisdiction in conditions where it can be assumed that it is their intention to use it as a place of habitual residence or abode.

In case the above criteria are met, an individual will be regarded as resident since the first day of their presence in the country/jurisdiction until their departure.

There are, however, some situations foreseen where the tax residency status will still apply for the entire tax year.

If none of the above conditions are met, the person is considered to be a non-resident. Tax liability will occur only with regards to the individual's Portuguese-sourced income (in case of employment income, Portuguese-sourced income would include compensation derived from activities performed in Portugal, as well as compensation paid by a Portuguese entity).

The 2024 State Budget Law foresees the termination of the Non-Habitual Resident (NHR) special tax regime.

However, this regime continues to apply to individuals who already benefit from it, until the end of the 10-year period of applicability.

The "Tax Incentive for Scientific Research and Innovation" (*Incentivo fiscal à investigação científica e inovação*, IFICI) was introduced in Portugal by the 2024 State Budget Law, however only recently was published the legislation that regulates the respective special regime arising from this incentive.

The IFICI aims to attract and retain highly-qualified professionals in the fields of scientific research, investment, and business development, offering similar tax incentives to those previously provided by the NHR regime.

Under the terms set by law, the IFICI incentive covers researchers and highly-qualified workers who:

- i. become tax residents in Portugal;
- ii. have not been deemed as such in the previous five years;
- iii. receive income resulting from specific activities foreseen in the law, such as academic careers in higher education and scientific research, qualified positions in the research and development fields, and workers with a PhD in the research and development fields; and,
- iv. perform their duties in entities specified in the law, such as technology and innovation centres, companies that benefit from specific tax incentives as per the tax legislation, industrial and service companies exporting at least 50 percent of their turnover, have roles within start-up companies, and others.

Taxpayers registered as residents in Portuguese territory should submit their registration requests for the application of this regime by 15 January of the year following the one in which they become residents, using an official form. The entities responsible for the analysis of the taxpayer's request will depend on the professional activity performed.

The taxation under the IFCI takes effect from the year in which the registration is completed and lasts for the remaining period of the 10 years (counted from the year when the individual became a tax resident of Portugal).

Individuals who benefit (or have benefited) from the NHR special regime, as well as those who chose to be taxed under the regime applicable to "former residents" (*ex-residentes*), are excluded from the above-described tax regime.

Another special regime is also foreseen for "former tax residents". This regime applies to individuals:

- a) who qualify as tax residents of Portugal until 2026 (in accordance with no. 1 and 2 of article 16 of the PIT Code);
- b) who have not qualified as tax residents in any of the previous 5 years (prior to repatriation);
- c) Who have their tax situation regularized and,
- d) Individuals who have not submitted an application to acquire the status of non habitual residents.

## 2.2 Tax trigger points for employment income

There is no minimum threshold/number of days that exempts the employee from the requirements to file and pay tax in Portugal regarding Portuguese working days. However, the application of a double tax treaty may determine that the employee does not have a filing obligation, provided that the individual spends less than 183 days in Portugal and that the individual's income is not paid by, or recharged to, a Portuguese entity.

## 2.3 Types of taxable income

For extended business travellers, the types of income that are generally subject to tax are employment income, as well as any other Portuguese-sourced income, and gains from taxable Portuguese assets (such as real estate). The definition of employment income is broad and tends to include all benefits-in-kind.

## 2.4 Tax rates

Net taxable income earned by a resident is taxed at progressive marginal tax rates from 12.5 percent up to 48 percent.

An additional solidarity surcharge also applies (2.5 percent on the taxable income between EUR80,000 and EUR250,000 and 5 percent on the taxable income exceeding EUR250,000).

Some flat rates may apply (for example, interest and dividends are taxed at a flat rate of 28 percent and rental income is taxed at a flat tax rate between 28 and 5 percent).

Furthermore, some special provisions may apply if the taxpayer benefits from any special tax regime, as follows:

- 1) Under the non-habitual tax residents' special regime (only for those to whom the regime still applies, as this regime ceased to exist on 1 January 2024), if the activity carried out by the individual in Portugal is considered to be a 'high value added' activity, the employment income derived from this activity is taxed at a special rate of 20%.

Otherwise, if the activity that the individual performs is not deemed to be 'high-value-added', the employment income received will be taxed at marginal tax rates up to 48 percent, plus 2.5 and 5 percent solidarity surcharge due as previously described.

This regime also allows for a tax exemption or reduced taxation on the foreign-sourced income received by the individual. For example, with regards to foreign source employment income, an exemption applies provided that one of the following conditions is met:

- i) such income is subject to tax in the country/jurisdiction of its source under the provisions of a double tax treaty; or
  - ii) Such income is subject to tax in the country/jurisdiction of its source, whenever no double tax treaty exists, provided that it does not relate to any activity performed in Portugal.
- 2) For the individuals that are able to benefit from the IFICI regime, the applicable rules provide for the following:
    - i) the taxable employment income and business or professional income arising from the specific activities may benefit from a special tax rate of 20%;
    - ii) An exemption of tax in Portugal is available for foreign-source income (employment income, business and professional income, investment income, rental income, and capital gains) that is received by the taxpayers covered by this incentive. However, this exemption is an exemption with progression, and as such, the exempt income will be added in for the purpose of determining the marginal rates applicable to any other income received that is subject to taxation at such rates; and
    - iii) An increased rate of 35% is applicable whenever the income received under this regime arises from a tax haven.
  - 3) Under the former residents' tax regime, a tax exemption applies over 50 percent of the employment and self-employment income received in Portugal up to the upper limit of the first income bracket subject to the additional solidarity surcharge, which is currently set at EUR 250.000/per year.
  - 4) Under the "*IRS Jovem*" tax regime, a tax exemption applies over a percentage of employment income (or self-employment income) received by a taxpayer up to the age of 35 years old.

Taxpayers may benefit from this tax regime during the first ten years of employment, whether these ten years are consecutive or not. To benefit from the regime, the taxpayers cannot be considered as dependents – i.e., may not belong to the parents' family aggregate.

This exemption (limited to EUR 29.542,15, in 2026) varies over the years of application of the regime, as follows:

- i) 100% of income earned in the first year of earning income;
- ii) 75% from the second to the fourth year;
- iii) 50% from the fifth to the seventh year; and
- iv) 25% from the eighth to the tenth year.

For non-residents, the tax rate depends on the type of income received, as follows:

- employment income is taxed at a 25 percent flat tax rate;
- rental income is taxed at a special rate of between 28% and 5%, depending on the purpose of the property, i.e. whether it is used for residential purposes (in which case the applicable rate is 25%, which can be reduced to 5% depending on the duration of the lease) or for other purposes (in which case the applicable rate is 28%);
- interest is taxed at a 28% flat rate;
- dividends are taxed at a 28% flat rate;
- capital gains arising from the sale of immovable property located in Portugal shall be subject to taxation in Portugal. Under the rules currently in force, the taxable gain corresponds to the positive difference between the sale's price and the acquisition's price, deducted of any purchase and sale expenses, as well as any duly documented expenses incurred with the valuation of the property in the previous 12 years. As a non-resident, only 50% of the capital gain received is subject to taxation at the marginal rates up to 53% and is mandatorily added to the overall income received as a non-resident.

**03**

# **Social Security**

# 3 Social Security

## 3.1 Liability for social security

Individuals working in Portugal are liable for social security contributions at a rate of 11 percent on their gross remuneration (9.3 percent for board members who are not “*Administradores*” or “*Gerentes*”).

Employers are liable for social security contributions at a rate of 23.75 percent on the same gross remuneration (20.3 percent for members of the board who are not “*Administradores*” or “*Gerentes*”).

The social security contributions due are not capped.

In general terms, an exception for social security contributions can apply if a foreign employee is assigned to work in Portugal for an expected period of less than 1 year and continues to pay social security contributions in their home country/jurisdiction. Such a period of exemption may be extended for an additional 12 months.

Based on the European Union (EU) regulations, as well as on social security bilateral agreements, an exemption may apply on social security contributions for extended business travellers.

**04**

# **Compliance obligations**

# 4 Compliance obligations

## 4.1 Employee compliance obligations

Tax returns are due regardless of the type of income received, between 1 April and 30 June.

## 4.2 Employer reporting and withholding requirements

If the income is paid by a Portuguese company, the employer is required to withhold tax on a monthly basis at:

- progressive marginal rates, if the individual qualifies as a resident
- A 20 percent flat rate, if the individual simultaneously (i) qualifies as a tax resident, (ii) benefits from the NHR regime and (iii) performs an activity that is deemed as being a “high-value added” one
- A 20 percent flat rate, if the individual is eligible to benefit from the IFICI and is duly registered under the regime
- a 25 percent flat rate if the individual qualifies as a non-resident.

The employer is also required to report the income paid and tax withheld to the employee and to the tax authorities within specific deadlines.

**05**

# **Immigration**

# 5 Immigration

## 5.1 Work permit/visa requirements

Non-EU individuals must apply for a visa before their arrival in Portugal. The type of visa required will depend on the purpose of the individual's entry into Portugal.

**06**

**Other issues**

# 6 Other issues

## 6.1 Double taxation treaties

In addition to Portuguese domestic arrangements that provide relief from international double taxation, Portugal has entered into double taxation treaties with more than 70 countries/jurisdictions to prevent double taxation and allow cooperation between Portugal and overseas tax authorities in enforcing their respective tax laws.

## 6.2 Permanent establishment implications

There is the potential risk that a permanent establishment could be created as a result of extended business travel, but this would be dependent on the type of services performed and the level of authority of the employee.

## 6.3 Indirect taxes

Value-added tax (VAT) may be required in Portugal on the following:

- supply of goods and rendering of services carried out in the Portuguese territory
- imports of goods
- intra-community acquisition of goods.

There are three different VAT rates (for the transactions deemed to have been supplied in the Portuguese Mainland):

- Reduced: 6 percent (applied in general to basic food products, pharmaceutical products, etc.)
- Intermediate: 13 percent (applied in general to wine, flowers, etc.)
- Normal: 23 percent (applied to the remaining goods and services not subject to the above rates).

## 6.4 Transfer pricing

Portugal has a transfer pricing regime. A transfer pricing implication could arise to the extent that the employee is being paid by an entity in one jurisdiction but is performing services for the benefit of the entity in another jurisdiction, in other words, a cross-border benefit is being provided. This would also be dependent on the nature and complexity of the services performed.

## 6.5 Local data privacy requirements

Portugal has data privacy laws.

## 6.6 Exchange control

Portugal does not restrict the flow of Portuguese or foreign currency into or out of the country/jurisdiction. However, certain reporting obligations are imposed to control tax evasion and money laundering.

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