THE OECD TAX-BENEFIT DATABASE

Description of policy rules for Portugal 2024

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OECD contact: Jingyang Chen, Jobs and Income Division, Directorate for Employment, Labour and Social Affairs. Email: Tax-Benefit.Models@oecd.org

National team: Ministry of Labour, Solidarity and Social Security and Ministry of Finances; Contact Point: Antonieta Ministro

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Preface

This report provides a detailed description of the tax and benefit rules in Portugal as they apply to working-age individuals and their dependent children. It also includes output from the OECD Tax-Benefit model (**TaxBEN**), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families ("vignettes"), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click here for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leave benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)

- TaxBEN web calculator
- Methodology and user guide
- OECD tax-benefit data portal
- Network of national experts

Guidelines for updating this report (for national experts)

General guidelines

Detailed guidelines for updating Section 5 "Net costs for Early Childhood Education and Care"

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2024**.
- The symbol *i* in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

The OECD tax-benefit model for Portugal: Policy rules in 2024

1. Reference wages and other reference indicators

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here).[1] If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth[2] to the latest available wage estimate.

The minimum wage **[MIN]** in 2024 is EUR 820 per month, but paid 14 times a year including bonus payments in the summer and at Christmas. The annual minimum wage is thus computed by multiplying the minimum monthly wage (as of January 1, 2024) by 14, i.e. EUR 820 * 14 = EUR 11,480.

Many benefit rates and thresholds in Portugal are linked to the *Indexante dos Apoios Sociais* or Social Support Index (SSI/IAS), which is EUR 509,26 per month in 2024.

The reference value of the minimum of existence (see Section 8.1.3) is equal to the greater value between the annual minimum wage (EUR 11,480) and 1.5 x 14 x SSI/IAS[3].

Note on the indexation of the SSI/IAS:

The SSI/IAS, which is the reference for setting, calculating and updating social benefits, is normally updated every year on January 1st. It considers the following reference indicators:

a) The real growth of gross domestic product (GDP), corresponding to the average annual average growth rate of the last two years, ending in the 3rd quarter of the year preceding the one to which the update refers or in the immediately preceding quarter, if not available on December 10th;

b) The average variation of the last 12 months of the CPI, without housing, available on 30th November of the year prior to which the update is reported.

The annual variation in GDP is that which takes place between the 4th quarter of one year and the 3rd quarter of the following year.

The update of SSI/IAS is carried out as follows:

a) If the average real GDP growth is equal to or higher than 3%, the SSI/IAS update corresponds to the IPC plus 20% of the real GDP growth rate;

[1] Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

[2] Wage growth projections are based on OECD Economic Outlook and EU economic forecasts (for non-OECD countries).

[3] Source: article 70 of the Personal Income tax Code.

b) If the average real GDP growth is equal to or higher than 2% and less than 3%, the SSI/IAS update corresponds to the IPC plus 20% of the real GDP growth rate, with a minimum limit of 0.5 percentage points above the CPI value;

c) If the average real GDP growth is less than 2%, the SSI/IAS update corresponds to the CPI.

2. Unemployment benefits

In Portugal, there is an unemployment insurance benefit for those unemployed who have made sufficient past social security contributions, and an unemployment assistance benefit for those whose past contribution record is insufficient to receive unemployment insurance, or whose entitlement to unemployment insurance benefits has expired.

*2.1. **Unemployment insurance** (Subsídio de desemprego)*

Variable names: `[UI_p; UI_s]`

This is an unemployment insurance benefit. It is contributory, not means-tested and not taxable.

2.1.1. Eligibility conditions

Age: No age conditions.

Contribution/employment history: The employment and contribution condition for UI eligibility is 360 days of employment (with social security contributions) in the 24 months before unemployment.

Behavioural requirements and related eligibility conditions: TaxBEN assumes that the conditions that the claimant is capable of and available for work and is registered at the employment office are fulfilled.

Unemployment insurance (UI) is compulsory for employees and some categories of self-employed, such as economically dependent self-employed (receiving 50% or more of earnings from a single firm or firms belonging to the entrepreneurship group). Claimants must be in a situation of involuntary unemployment, that is to say that the end of the work contract is due in particular to:

- Unilateral decision by the employer;
- Work contract expiration (other than at retirement age);
- Resignation with just cause (provided these are not successfully defended by the employer);
- Mutual agreement between the employer and the employee in the case of companies in situations such as a process of structural re-adaptation or recovery or any other situation that allow for collective dismissal of employees;
- For the self-employed, losing the contract with the firm or group of firms responsible for at least 50% of their earnings.

Invalidity pensioners who are considered to be able to work as a result of a re-assessment of their incapability are also regarded as involuntary unemployed individuals.[4]

2.1.2. Benefit amount

Calculation base: The average gross salary during the 12 months period ending 2 months before the start of unemployment divided by 360 (30 days per month). This calculation takes into account the annual vacation bonus and the Christmas bonus due during this period.

Benefit amount: 65% of the calculation base, up to a maximum of 2.5 times the SSI/IAS, EUR 509,26 per month in 2024). The benefit amount also cannot exceed 75% of the claimant's previous *net* earnings (that is, after income tax and social security contributions). The minimum benefit amount is the SSI/IAS, or the calculation base if it is lower or 1,15 times the SSI/IAS (1,15 x 509,26 = 585,65 €) when the reference earnings for the calculation of the benefit are at least equal to the national minimum wage (RMMG or NMW).

The daily amount of UI benefit is increased by 10% when in the same family both spouses and partners are receiving UI benefit and have children or similar dependents. Single parents living with a child entitled to the "Abono de Familia para Crianças e Jovens" (section 3.2.) receive the 10% increase as well. From the 1st of January 2022, if one of the spouses ceases to receive UI, starts to receive USA, or does not receive any benefit, the other spouse continues to receive the 10% increase. The same applies in case of single parent household receiving unemployment benefit.

OECD note: In TaxBEN, this increase is implemented both for couples and single parent households, as from this year couples where the partner does not receive any benefit while unemployed and the principal receives UI are eligible for this increase. In fact, in TaxBEN, only the principal household member can receive unemployment insurance benefits (that is, the case where both parents receive UI cannot be modelled in TaxBEN).

OECD note: Since the UI benefit is included in the sources of income for the means-testing of the "Abono de Familia Para Crianças", it might be that the 10% increase to the UI amount causes a reduction in the amount of the family benefit received. Moreover, there might be other variables that can further affect the decision of the Social Security office in this regard, and in general the adjustment of the family benefit amount is done the year following the increase in the UI amount. However, in TaxBEN all sources of income are computed at the same time, and the model assigns a priority to the 10% increase to the UI amount and then it determines the amount of the family benefit. Further variables that might affect the relationship between the two in reality are outside the scope of the model.

2.1.3. Benefit duration

Benefit duration increases with age and contributory record since the last unemployment spell according to the following table (2024 rules):

[4] Note however that this situation is not covered by the TaxBEN model.

Age	Contributory career	Duration (days)	Extended duration
<30	≤15 months	150	30 days for each group of 5 years of contributory record in the last 20 years
	≥15 and <24 months	210	
	≥24 months	330	
30 – 39	≤15 months	180	30 days for each group of 5 years of contributory record in the last 20 years
	≥15 and <24 months	330	
	≥24 months	420	
40 – 49	≤15 months	210	45 days for each group of 5 years of contributory record in the last 20 years
	≥15 and <24 months	360	
	≥24 months	540	
≥50	≤15 months	270	60 days for each group of 5 years of contributory record in the last 20 years
	≥15 and <24 months	480	
	≥24 months	540	

If the individual does not use the extended duration that they are entitled to, because they resume work earlier, this unused entitlement may be taken into consideration when calculating benefit duration during the next unemployment spell.

2.1.4. Means test

The benefit is not means-tested, but there are special rules concerning combining benefit receipt and earnings from work (see Section 2.1.7 below).

2.1.5. Tax treatment and compulsory social security contributions

The benefit is not taxable.

2.1.6. Interactions with other components of the tax-benefit system

It is not possible to receive unemployment insurance and unemployment assistance benefits simultaneously. It is possible to receive unemployment insurance and social assistance simultaneously, but unemployment insurance benefits are included in the income definition for the social assistance means test. Unemployment insurance benefits are also included in the income definition for the means test for family benefits.

Unemployment insurance benefits cannot be accumulated with pensions with the exception of pensions or similar compensation for occupational risks, or the complementary allowance paid while performing socially necessary work.

Unemployment insurance benefit is suspended if the claimant is entitled to maternity/paternity, parental or adoption benefits (Not implemented in TaxBEN).

2.1.7. Combining benefit receipt and employment/starting a new job

Unemployment insurance benefits may be accumulated with part-time work[5] or self-employment if the earnings from work are less than the benefit amount.[6] In this situation, the UI benefit is equal to the difference between 1.35 times the

[5] That is, normal weekly working hours are shorter than full-time work in a "comparable" situation.

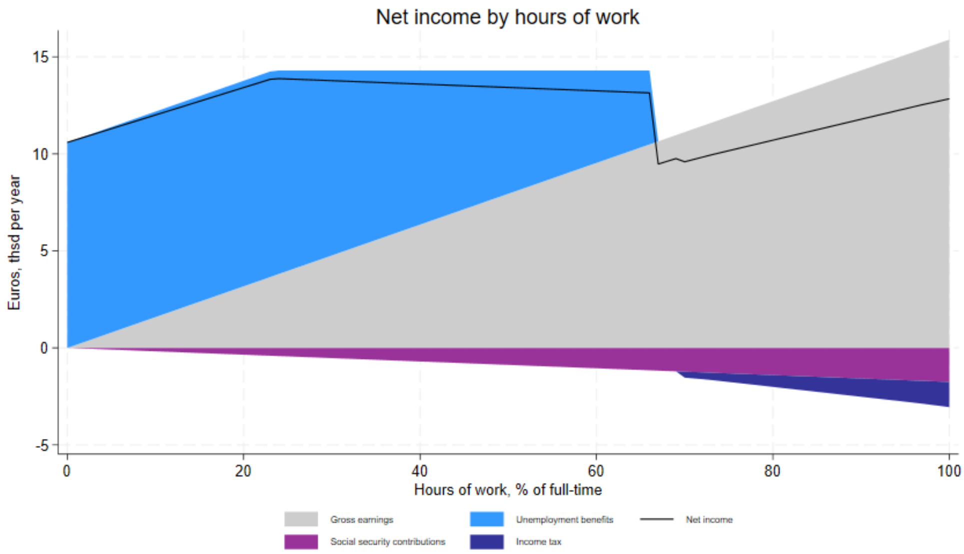
[6] The employer must pay the wages set under the collective bargaining agreement.

unemployment benefit and the earnings from part-time work or the value of 1/12 of the relevant annual income in case of self-employment.

However, if 1.35 times the unemployment benefit is less than the national minimum wage the full amount of unemployment insurance benefit is retained.[7] The value of the partial unemployment benefit can also not exceed the original amount of the unemployment benefit.

The partial UI benefit is granted for the duration of the part-time contract or self-employed activity, but it is limited to the time that it was foreseen to receive the unemployment benefit.

Figure 1. Accumulation of Unemployment Insurance with part-time work, 2024



Note: This figure shows the total income of a single person without children earning 67% of the average wage, by hours of work in percent (100% = full-time work). The previous wage (for the calculation of unemployment benefits) is assumed to be the average wage. The total income is the sum of accumulated unemployment benefits, income from work (gross earnings) minus social security contributions and taxes.
Source: Calculations using OECD TaxBEN model.

From November 2023, an exceptional measure to encourage long-term unemployed to return to work (*Medida excecional de incentivo ao regresso ao trabalho para desempregados de longa duração*) will be in force[8]. It offers long-term unemployed the opportunity to keep part of their UI when taking up a job given the following conditions:

[7] Additionally, the earnings from work plus the partial UI benefit also have to be less than the national minimum wage. In TaxBEN, this is always the case if 1.35* the unemployment benefit it below the minimum wage, because the partial unemployment benefit is calculated as 1.35* the unemployment benefit.

[8] This replaces the Incentive for Accepting Job Offers (Incentivo à aceitação de ofertas) which allowed jobseekers to keep part of their unemployment benefit on taking up full-time work. See here for more details: https://www.seg-social.pt/medida-de-incentivo-ao-regresso-ao-trabalho-para-desempregados-de-longa-duracao

- if they are receiving UI and registered with employment centres for at least 12 months;
- if they accept the job offer and sign a full-time employment contract for a period equal to or greater than 12 months, whether open-ended, fixed term or temporary contract;
- their salary is equal to or lower than the UI reference amount.

The monthly amount of UI depends on the type of employment contract and the time they have been receiving UI:

- open-ended contracts:
  - 65% of UI between the 13th and 18th month;
  - 45% of UI between the 19th and 24th month;
  - 25% of UI after the 25th month.
- Fixed-term and temporary contracts: 25% of UI from the 13th month.

2.1.8. Benefit indexation

There is an automatic indexation of the UI, associated with the Social Support Index (SSI/IAS), at the upper and lower limits of the value of the benefit: 2.5 x SSI/IAS and 1.15 x SSI/IAS, respectively.

*2.2. **Unemployment Social Allowance** (Subsídio Social de Desemprego)*

Variable name: **[UA]**

This benefit is contributory, means-tested and not taxable.

2.2.1. Eligibility conditions

Age: No age conditions.

Contribution/employment history: The employment and contribution condition for Unemployment Social Allowance (USA) eligibility is 180 days of employment (with social security contributions) in the year before unemployment. It is 120 days in case of involuntary unemployment due to expiry of the fixed term employment contract or termination of the employment contract on the initiative of the employer during the trial period (not covered in TaxBEN). The claimant must be completely unemployed (i.e. not engaged in any paid work) at the point of making the claim.

Behavioural requirements and related eligibility conditions: TaxBEN assumes that the conditions that the claimant is capable of and available for work and is registered at the employment office are fulfilled.

USA entitlement is dependent on several conditions including unemployment being involuntary and sustained, residence in the national territory and compliance with the means test. The job-search conditions for becoming and remaining entitled to USA are similar to the ones applied for UI (see Section 2.1.1. above).

2.2.2. Benefit amount

Calculation base: The benefit amount is based on the SSI/IAS, which is EUR 509,26 per month in 2024.

Benefit amount: The amount for a household is based on the SSI/IAS. It is 80% of the SSI/IAS for a single-person household, and 100% of the SSI/IAS for a household of two or more, or the net value of the reference earnings if it is lower for both situations. The daily amount is increased by 1/30 of 10% of the annual minimum wage (computed as 12 monthly amounts) for each child in the household.

2.2.3. Benefit duration

For those who are not entitled to UI, the duration is the same as for UI as described in Section 2.1.3. . For those who had previously been entitled to UI, the duration is half their UI duration (see Section 2.1.3 for details). An extraordinary measure introduced in 2016 and maintained in the following years allows long-term unemployed persons who have already exhausted their regular UA entitlement and who have subsequently been without any unemployment benefit for 180 days, to be entitled to a benefit equal to 80% of the regular USA amount, for a period of 180 days, provided they continue to fulfil the eligibility conditions.

For those aged 52 or over when they became unemployed, USA may be renewed until an early retirement pension can be claimed at the age of 57, provided that the claimant continues to meet the eligibility criteria for USA. (Note that as the TaxBEN model does not include early retirement pensions, it cannot be used to simulate the situation of an unemployed person aged over 57 in Portugal).

2.2.4. Means test

The USA is a means-tested benefit: the household’s monthly income per capita must be less than 80% of the SSI/IAS. This income threshold has been raised to 105% of the SSI/IAS for those aged 52 or older on the date of initial unemployment who meet the conditions for accessing the early pension granted in situations of long-term unemployment. The monthly income per capita is calculated by dividing total household reference income by the household’s OECD equivalence scale (that is, where the first adult is given a weight of 1, other adults a weight of 0.7 and children a weight 0.5). Reference income includes gross earnings plus income from capital including bank interest and dividend income. Furthermore, 5% of the nominal value of financial assets is also considered as income. If the household own financial assets (bank accounts, shares, investment funds, etc.) worth more than EUR 122,222.40 in 2024 (240 times the value of the SSI/IAS) there is no USA entitlement.

If the household owns real estate, this asset is also taken into account in the means test. The value of the household’s primary residence is not taken into account if it is less than EUR 229,167.00 in 2024 (450 times the SSI/IAS). However, if the tax valuation of the primary residence is above that threshold, 5% of the excess is counted as income. For subsequent properties, the larger of rental income and 5% of the tax valuation is counted as income for the purposes of the means test. Note, however, that the TaxBEN model does not take these provisions relating to unearned income and capital into account: it assumes that the household has no financial assets, and that if the household owns their own home, its value is less than the threshold mentioned above.

2.2.5. Tax treatment and compulsory social security contributions

Not taxable.

2.2.6. Interactions with other components of the tax-benefit system

It is not possible to receive unemployment insurance and USA benefits simultaneously. It is possible to receive USA and social assistance simultaneously, but unemployment assistance is included in the income definition for the social assistance means test. Unemployment assistance is also included in the income definition for the means test for family benefits.

Unemployment assistance cannot be accumulated with pensions with the exception of pensions for occupational risks and similar compensation or with the complementary allowance paid while performing socially necessary work and the Social Inclusion benefit (not modelled in TaxBEN).

2.2.7. Combining benefit receipt and employment/starting a new job

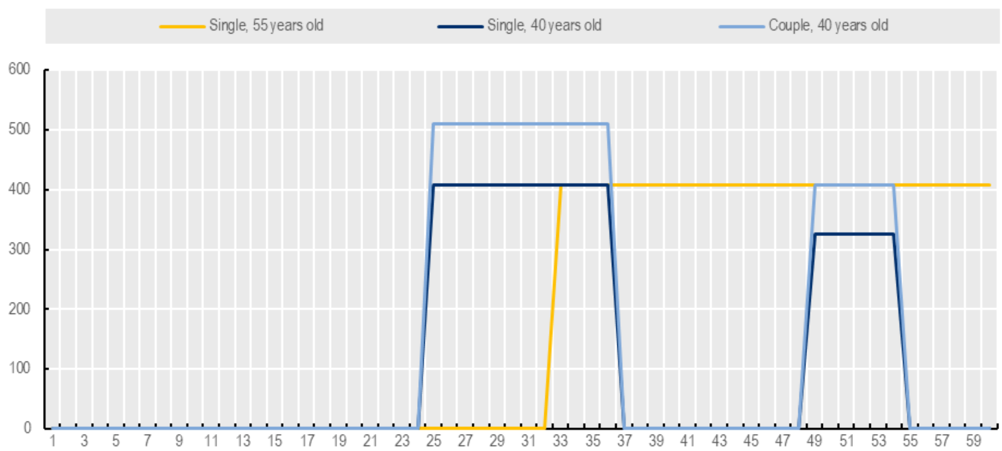
The claimant of USA must be fully unemployed: if they start work for a period of less than 3 years, the claim is suspended, and it is terminated after 3 or more consecutive years of paid work. The claimant's spouse may work, but any earnings from work are taken into account in the means test as described in Section 2.2.4.

2.2.8. Benefit indexation

There is an automatic indexation for USA, linked to the SSI/IAS, as well as to the National Minimum Wage (NMW/RMMG) (see section 2.2.2.).

The IAS is normally updated every year on the 1st January, and the NMW/RMMG, is also normally updated every year (see section 1.).

Figure 2. Unemployment assistance benefit entitlement by unemployment duration, 2024



Note: In all cases, claimant has a 20 year social security contribution record. All figures in EUR per month.
Source: Calculations using OECD TaxBEN model.

3. Social assistance and housing benefits

3.1. Social Insertion Income *(Rendimento Social de Inserção)*

Variable name: **[SA]**

This is a non-contributory benefit, means-tested and not taxable.

The Social Insertion Income (SII) supports individuals or families in situations of great economic need. The Social Insertion Income (SII) is both a cash benefit and an activation programme that provides both basic needs and encourages insertion into the labour market, community and society through the provision of an insertion contract with several actions adapted to the members of the household.[9]

3.1.1. Eligibility conditions

Age: At least 18 years of age; unless the claimant has a monthly income above 70% of SII, dependent children (whose monthly income does not exceed 70% of SII), is pregnant or married or has had a partner for more than 2 years.

To be entitled to the benefit, legal residency in Portugal is required and the household must agree to and fulfil the conditions of an Insertion Programme (that includes availability for work, training or any adequate measure for insertion), being registered at the employment centre when unemployed and capable for work. The family must also fulfil the conditions of the means test (see Section 3.1.4 below).

If an individual becomes voluntarily unemployed they can only claim the Social Insertion Income entitlement after one year of unemployment.

The local Integration service (Núcleo Local de Inserção), which defines the terms and conditions of the social integration contract, makes an individual assessment considering problems of social exclusion (such as addictions) that may affect employability and professional insertion.

3.1.2. Benefit amount

The benefit maximum amount and eligibility threshold are indexed to the Social Support Index (SSI/IAS) multiplied by an indexation factor, which in 2024 is 46.587 %. The basic benefit amount in 2024 is thus EUR 237,25 per month. The maximum benefit amount is 100% of this amount for the first adult, plus 70% of this amount for each additional adult in the household, plus 50% of this amount for each child in the household.

3.1.3. Benefit duration

Subject to annual renewal, but can be renewed as long as entitlement conditions are met.

3.1.4. Means test

Income test:

The benefit amount is reduced by total household income. For SII purposes, the household income measure is the sum of all income sources in the month previous (or the average of the previous 3 months in the case of independent workers or workers with variable wages), excluding family benefits. However, only 80% of labour income after social security contributions (but not income tax) is taken into account. The household income measure thus includes,

- earnings net of social security contributions, but not income tax,
- gross income from capital,
- gross property income,

[9] Detailed information on this benefit is available at this link (in Portuguese).

- pension income,
- income from social benefits including:
  - Unemployment insurance (Section 2.1)
  - Unemployment Social Allowance (Section 2.2)
  - Social Insertion Income (Section 3.1)
  - Other social benefits such as family benefits (Section 4) and disability and long-term care benefits are excluded.
- Regular housing benefits, such as the “Extraordinary and temporary support for tenants” (Section 3.2) is included.
- monthly grants, if included in the exercise of occupational activities of social interest related to employment programmes
- If the household benefits from social housing, the household income is increased by:
  - EUR 15.45 during the first year of SII;
  - EUR 30.91 on the first annual renewal of SII;
  - EUR 46.36 from the second annual renewal onwards.

Asset test:[10]

If the household owns real estate or capital, these assets are also considered in the means test. They are converted into property and capital income and included to the definition of reference income employed for the means-testing of the benefit.

Property income:

1/12 of the total value of the following assets shall be considered as property income

- The household’s primary residence is not considered if it is worth less than EUR 229,167.00 (450 times the SSI/IAS). If the tax valuation of the primary residence is above this threshold, 5% of the difference is taken into account.

- For other properties, the larger of rental income and 5% of the tax valuation of the property is included as income in the means test.

Capital income:

It includes bank interest and dividends. 5% of the value of financial assets is also added to the income measure. If the household owns financial assets are worth more than EUR 30,555.60 (60 times the value of the SSI/IAS) there is no entitlement to SII.

If some of the family members (including the applicant) have movable assets (bank deposits, shares, postal savings certificates or other financial assets), 1/12 of the highest values of the following assets shall be considered as capital income:

- The value of capital income earned (interest on bank deposits, stock dividends or income from other financial assets).

- 5% of the total value of the movable assets on 31 December of the previous year (credits deposited in bank accounts, shares, postal savings certificates or other financial assets).

Note, however, that the TaxBEN model does not take these provisions relating to unearned income and capital into account: it assumes that the household has no

[10] Source: www.seg-social.pt/documents/10152/15010/Social+Integration+Income+%28RSI%29/ff5421af-696a-4630-a737-89806cdc7faf (2024).

financial assets, and that if the household owns their own home, its value is less than the threshold mentioned above.

3.1.5. Tax treatment and compulsory social security contributions

The benefit is not taxable.

3.1.6. Interaction with other components of the tax-benefit system

Claimants of unemployment benefits can also receive SII, but income from these benefits is included in the income measure for the SII means test. Claimants of SII can also receive family benefits, but SII is included in the income definition for the means test for family benefits.

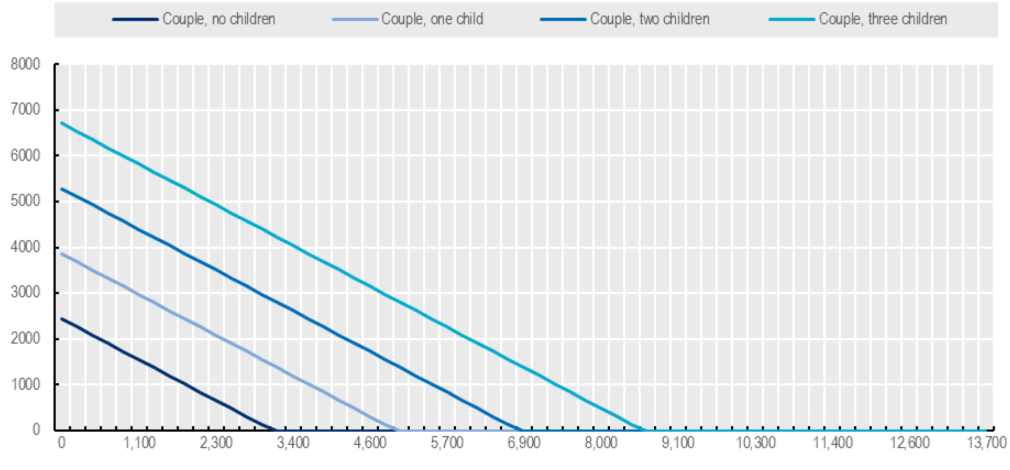
3.1.7. Combining benefit receipt and employment/starting a new job

It is possible to work while claiming SII benefits, but 80% of earnings from work (net of social security contributions but not income taxes) is considered for calculation of the benefit amount. For the first 12 months (consecutive or not) after returning to employment, this proportion is reduced to 50%.

3.1.8. Benefit indexation

Social Insertion Income (SII) is automatically indexed, in line with the SSI update, but its indexation has not always been done regularly. Its value corresponds to 46.587% of the SSI/IAS, i.e. EUR 237.25. Usually it is updated annually, with effect from 1st of January.

Figure 3. Social assistance benefit entitlement by gross earnings, 2024



Note: All figures in EUR per year. One child family has a child aged 4, two child family also has a child aged 6 and three child family also has a child aged 8.
Source: Calculations using OECD TaxBEN model.

Housing benefits for rented accommodation

This section provides information on housing benefit (HB) schemes that aim to reduce the rental costs for people living in privately rented accommodations. Cash support for housing costs *other than rent*, e.g. for heating and water bills, is outside the scope of this section and is described in the Annex. Similarly, this section does not include other housing benefits such as those for the construction of housing, the purchases of owner-occupied housing, or the repayment of interests on owner-occupied housing.

In-kind support for families in social housing through below-market rents is also excluded.

3.2. Extraordinary and temporary support for tenants included in the "More Housing" (Mais Habitação) package

This is a non-contributory benefit, means-tested and not taxable.

In 2023, extraordinary and temporary support was created for families to support the payment of rent for a first home rental or subletting contract[11] as part of the More Housing (Mais Habitação) package.

3.2.1. Eligibility conditions

Beneficiaries must fulfil the following conditions to receive the benefit:

- Tax resident in Portugal;
- Hold rental or sub-lease contracts for their first home registered with the Tax and Customs Authority (AT);
- Have an effort rate to or greater than 35% of their annual income with the annual costs of paying the rents or credit instalments i.e. tenants spend more than 35% of their gross income on rent;
- Have an annual income equal to or less than the maximum limit of the sixth bracket of the Income Tax Schedule (Section 8.1) in force on the date the support is granted. More details are provided in Section 3.2.4 Means Test. If they are not obliged to submit a personal income tax return, beneficiaries must then fulfil at least one of the following conditions:
    - Receive the retirement, pension and survivor's pensions from the convergent social protection scheme,
    - Receive benefits under the voluntary social insurance scheme awarded to research fellows enrolled in it,
    - Have monthly income from work declared to the social security system and is a recipient of social benefits, including unemployment benefits (Section 2), social assistance (Section 3.1) and family benefits (Section 4).

3.2.2. Benefit amount

The support is a monthly payment corresponding to the difference between the rent paid and the amount resulting from applying a maximum 35% effort rate to the average monthly earned income. The payment has a maximum amount of 200€ per month, and if less than 20€, is paid every six months.

3.2.3. Benefit duration

Provided eligibility for this benefit, payments are made monthly throughout the year (i.e. 12 monthly payments).

[11] There is an additional component to assist the payment of the provision of a credit agreement of their own, permanent housing. This is out of the scope of TaxBEN and hence, is not modelled.

3.2.4. Means test

The total monthly income must not exceed the amount corresponding to 1/14 of the value of the maximum limit of the sixth bracket provided in the Income Tax Schedule (Section 8.1). In 2024, this limit is equal to 2842,21€.

The income taken into consideration into the means test is the gross taxable income (the same as the income considered for the Personal Income Tax) before subtracting any relevant tax allowances and/or deductions (see Section 8.1 for details).

3.2.5. Tax treatment and compulsory social security contributions

Benefit entitlements are not included in the taxable income of the income tax (Section 8.1) and not subject to social security contribution payments (Section 7).

3.2.6. Interaction with other components of the tax-benefit system

The social security legislation on means tested benefits in Portugal establishes that housing supports paid regularly, including the *More Housing entitlements* (Section 3.2), are considered when determining the assessed household income. This means that the *More Housing* entitlements are included in the assessed income of the following means tested benefits:

- Unemployment Assistance (Section 2.2.),

- Social Assistance (Section 3.1),

- Family benefit (Section 4.1).

Tenants receiving Extraordinary and temporary Support for families cannot claim the rent tax credit described in Section 8.1.4.

TaxBEN note: Whether tenants receiving housing benefits can additionally benefit from the rent tax credit (see Section 8.1.4) has not been confirmed. In version 2.7.0, it is assumed tenants can only benefit from either the "Extraordinary and temporary support for tenants (Section 3.2) or the rent tax credit (Section 8.1.4). In cases individuals are eligible for both, TaxBEN will allocate the more beneficial option. This will be updated in later versions as required.

Box 1: Examples of housing benefit calculation

1. Consider a renter who earns 1500€ per month and pays 700€ per month in rent. The maximum effort rate of 35% is applied to the income (35% * 1500 = 525€). Then the difference is taken between the rent paid (700 – 525 = 175€), which is below the maximum amount of 200€. Hence, the amount of the housing benefit amount is 175€ per month.

2. Consider a couple where one person earns 1200€ per month and the other earns 1000€ per month, and they pay a total of 1100€ per month in rent. The maximum effort rate is applied to their joint income (35% *2200€ = 770€). Then the difference is taken between the rent paid (1100 – 770 = 230€) which is above the maximum amount of 200€. Hence, the couple then receives the housing benefit amount of 200€ per month.

4. Family benefit

4.1. Family allowance for children and young people (Abono de família para crianças e jovens)

Variable name: **[FB]**

This is a non-contributory benefit; it is means-tested but is not taxable.

4.1.1. Eligibility conditions

Benefits are provided to families with children under the age of 16 or up to 24 if the child is disabled or in full time education; Access to benefits also depends on the children residing (or having an equivalent status) in Portugal and not working (except during school holidays). The family also satisfy a means test (see Section 4.1.4 below).

4.1.2. Benefit amount

The family allowance is paid monthly. An additional monthly amount is payable in September to families in the first income bracket to compensate for the costs of education if the children are aged between 6 and 16 years and are enrolled in school.

Children aged up to 36 months (inclusive) are entitled to a higher amount of Family Allowance, which is also increased if they live in a family with two children or more children. Monthly amounts also vary by income band, defined in relation to the IAS (for more details, see Section 4.1.4 below).

Lone-parent families are entitled to an increase of 50% in the family allowance.

Additionally, from July 2022, a Child Guarantee was created to cover children under 18 years of age belonging to families in extreme poverty. This is a regular cash allowance intended to supplement the family allowance and to guarantee an annual amount of EUR 1200 per child in 2024. To be eligible to the Child Guarantee, in addition to being the holder of the family allowance and being under 18 years, the recipient must be part of a household whose reference income is below 35% of the SSI/IAS monthly amount multiplied by 14 months.

The monthly per-child amounts are as follows (2024 amounts):

<table>
<tr><th colspan="2" rowspan="2">Couple family</th><th colspan="2">< 0.5 IAS</th><th rowspan="2">0.5-1 IAS</th><th rowspan="2">1-1.7 IAS</th><th rowspan="2">1.7-2.5 IAS</th><th rowspan="2">>2.5 IAS</th></tr>
<tr><th>< 0.35 IAS (child guarantee)</th><th>0.35 - 0.5 IAS (no child guarantee)</th></tr>
<tr><td rowspan="3">Each child up to 36 months</td><td>Families with 1 child</td><td>EUR 183,03</td><td>EUR 183,03</td><td>EUR 154,92</td><td>EUR 126,57</td><td>EUR 84,75</td><td rowspan="3">EUR 0</td></tr>
<tr><td>Families with 2 children</td><td>EUR 245,28</td><td>EUR 245,28</td><td>EUR 210,16</td><td>EUR 178,66</td><td>EUR 122,39</td></tr>
<tr><td>Families with 3 or more children</td><td>EUR 285,54</td><td>EUR 285,54</td><td>EUR 243,39</td><td>EUR 208,75</td><td>EUR 138,13</td></tr>
<tr><td colspan="2">Each child between 36 and 72 months</td><td rowspan="2">EUR 122 (72 + 50)</td><td rowspan="2">EUR 72</td><td rowspan="2">EUR 72</td><td>EUR 56,86</td><td>EUR 42,91</td><td rowspan="2">EUR 0</td></tr>
<tr><td colspan="2">Each child > 72 months</td><td>EUR 52,09</td><td>EUR 0</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Lone-parent family</th><th colspan="2">< 0.5 IAS</th><th rowspan="2">0.5-1 IAS</th><th rowspan="2">1-1.7 IAS</th><th rowspan="2">1.7-2.5 IAS</th><th rowspan="2">>2.5 IAS</th></tr>
<tr><th>< 0.35 IAS (child guarantee)</th><th>0.35 - 0.5 IAS (no child guarantee)</th></tr>
<tr><td rowspan="3">Each child up to 36 months</td><td>Families with 1 child</td><td>EUR 274,55</td><td>EUR 274,55</td><td>EUR 232,38</td><td>EUR 189,86</td><td>EUR 127,13</td><td rowspan="3">EUR 0</td></tr>
<tr><td>Families with 2 children</td><td>EUR 367,92</td><td>EUR 367,92</td><td>EUR 315,24</td><td>EUR 267,99</td><td>EUR 183,59</td></tr>
<tr><td>Families with 3 or more children</td><td>EUR 428,31</td><td>EUR 428,31</td><td>EUR 365,09</td><td>EUR 313,13</td><td>EUR 207,20</td></tr>
<tr><td colspan="2">Each child between 36 and 72 months</td><td rowspan="2">EUR 108</td><td rowspan="2">EUR 108</td><td rowspan="2">EUR 108</td><td>EUR 85,29</td><td>EUR 64,37</td><td rowspan="2">EUR 0</td></tr>
<tr><td colspan="2">Each child > 72 months</td><td>EUR 78,14</td><td>EUR 0</td></tr>
</table>

Family benefits also include a prenatal family allowance (granted to pregnant women for compensation for increased expenses), which is paid up to the 3rd income bracket, consisting of the same amounts as the family allowances for children up to 36 months for couple and lone-parent families, with an increase of 35% for the latter. This situation is not simulated in the TaxBEN model.

The family allowance may be increased if the child is disabled (though note that this situation is not simulated by the TaxBEN model). The amount added to the family allowance varies according to the age of the child for those beneficiaries under the age of 24 who on 30 September 2019 were recipients of the benefit. From 1 October 2019 only children up to 10 years may apply for this increase. If the disabled child lives in a lone-parent family, these amounts are increased by 50%. They are paid on a monthly basis as follows:

Additional monthly amounts for disabled children (previous regime)

Disabled child	Couple families	Lone parent families 1st income bracket
Until 14 years of age	EUR 71,10	EUR 106,65
From 14 until 18 years of age	EUR 103,56	EUR 155,34
From 18 to 24 years of age	EUR 138,51	EUR 207,92

4.1.3. Benefit duration

As long as the eligibility conditions hold and up to 10 or 24 years.

4.1.4. Means test

The benefit amount depends on the family’s reference income. The reference income comprises the sum of all income from each member of the household divided by the number of children of that household that benefit from the family allowance plus 1. The value calculated is then compared to the IAS. The following sources of income are considered:

- Gross earnings (except earnings of young people working during school holidays);
- Professional and business income;
- Capital income (e.g. bank interest and dividends);
- Land and real estate income;
- Pensions;

- Alimony;
- income from social benefits including:
  - Unemployment insurance (Section 2.1)
  - Unemployment Social Allowance (Section 2.2)
  - Social Insertion Income (Section 3.1)

(except family benefits and disability and long-term care benefits),

- Regular housing benefits, such as the Extraordinary and temporary support for tenants (Section 3.2)

Income tax liabilities and social security contributions due on the incomes listed above are not considered.

For the self-employed, earnings are calculated as 70% of services provided plus 20% of the value of product sales or the value of taxable profit, if lower than that resulting from the last-mentioned criteria.

Capital income is also included in the means testing (albeit it is assumed to be equal to 0 in TaxBEN). More precisely, 5% of the value of financial assets is considered as income. Moreover, if the household owns assets (bank accounts, shares, investment funds, etc.) worth more than 240 times the value of the SSI/IAS there is no entitlement to family benefits.

If the household benefits from social housing, then the difference between the technical price and the supported rent price is also considered as income. In this case, household income is increased by:

- EUR 15.45 in the first year;
- EUR 30.91 from the first annual renewal;
- EUR 46.36 from the second annual renewal onwards.

If the household owns real estate, these assets are also considered in the reference income. The household's primary residence is not considered if it is worth less than 450 times the IAS. If the tax evaluation of the own house is above this threshold, 5% of the difference is counted as income. For other properties, the larger of rental income and 5% of tax valuation is counted as reference income. (Note, however, that the TaxBEN model does not take these provisions relating to unearned income and capital into account: it assumes that the household has no financial assets, and that if the household owns their own home, its value is less than the threshold mentioned above.)

This total income is then divided by the number of children in the family, plus one. Families are then put into one of five income levels depending on how the result of this calculation compares to the SSI/IAS- (values for 2024):

- Level 1: Families whose reference income is under 50 per cent of 14 times the reference value (i.e. under EUR 3 564,82 per year);
- Level 2: Families whose reference income is over 50 per cent and under 100 per cent of 14 times the reference value (i.e. over EUR 3 564,82 and under EUR 7 129,64 per year);
- Level 3: Families whose reference income is over 100 per cent and under 170 per cent of 14 times the reference value (i.e. over EUR 7 129,64 and under EUR 12 120,39 per year);

- Level 4: Families whose reference income is over 170 per cent and under 250 per cent of 14 times the reference value (i.e. over EUR 12 120,39 and under EUR 17 824,10 per year);
- Level 5: Families whose reference income is over 250 per cent of 14 times the reference value (i.e. over EUR 17 824,10 per year).

From July 2022[12], the family allowance for children under the age of 18, in the first two income brackets, has progressively increased to reach the total amount of EUR 600/year in 2024.

4.1.5. Tax treatment

The benefit is not taxable.

From July 2022, children and young people benefiting from the family allowance up to the age of 17 who do not obtain a total annual amount of EUR 600 between the amount of the family allowance granted and the itemised deduction are entitled to receive the difference through transfer from the tax authority.

4.1.6. Interaction with other components of the tax-benefit system

The benefit can be received together with any other benefit.

4.1.7. Combining benefit receipt and employment/starting a new job

It is possible to combine benefit receipt and employment, but earnings are taken into account in the means test (see Section 4.1.4).

4.1.8. Benefit indexation

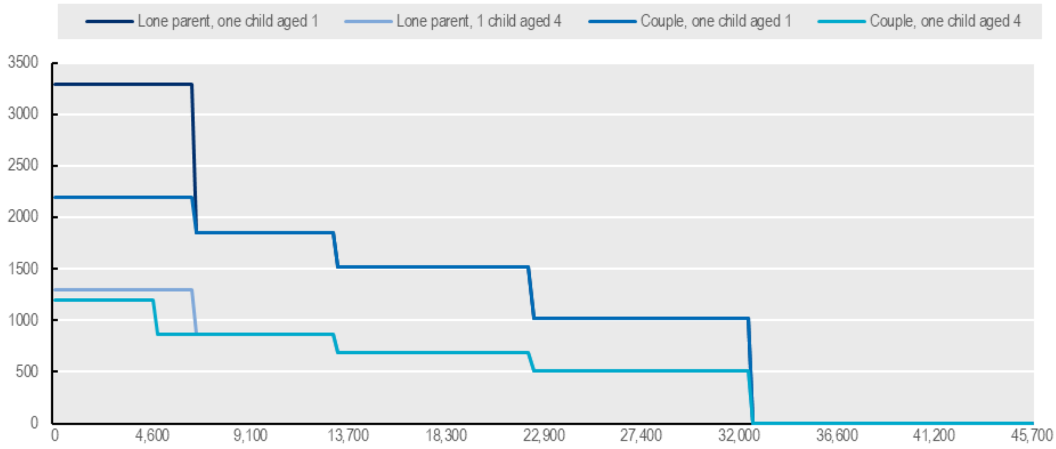
There is no automatic indexation for family allowance, although there is for the income brackets that determine the amount of the benefit, given that they are indexed to the IAS.

The child benefit values are updated periodically, taking into account the financial means available and the foreseeable variation in the consumer price index, without housing.

As a rule, the principle of annual updating is applied (although in recent years the benefits have been updated twice a year, following the financial programming of the State Budget).

[12] New measures introduced by Law 12/2022, 27th June, State Budget for 2022.

Figure 4. Family benefit entitlement by gross earnings, 2024



Note: All figures in EUR per year. Families are assumed to take up any social assistance benefit entitlement.
Source: Calculations using OECD TaxBEN model.

5. Net costs of Early Childhood Education and Care

In Portugal, children under the age of 3 years may attend crèches or child-minders while three to six year-olds may attend pre-schools.

The majority of under 3-year-olds enrolled children attend crèches run by non-profit organisations that receive public subsidies (79,8 % in 2022[13]), while 17,3% attend private, self-financing centres.[14] In order to receive public subsidies, providers have to enter into a cooperation agreement with the national government that regulates the fees institutions may charge parents. TaxBEN models the case of a centre run by a non-profit organisation that has a Cooperation Agreement.

The majority (53.9% in school year 2022/2023)[15] of 3-6 year-olds attend public pre-schools that are free of charge for parents.[16] The TaxBEN model assumes that children aged 3-6 attend public pre-schools (and hence their parents do not incur any fees for their care).

5.1. Gross childcare fees

Variable name: `[PTcc_cost]`

The maximum family fee cannot be higher than the real average cost (including administration expenses) per user of the service in question. The estimate average cost amounted to around EUR 473 per month in 2024.

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[13] % of children attending creche run by non-profit organisations receiving public subsidies on total children attending creches. Carta Social, 2022.

[14] 2.9% attend public creches.

[15] https://estatisticas-educacao.dgeec.medu.pt/eef/2021/

[16] 28.9% attend centres run by non-profits attracting public funding, and 17.2% attend private, self-financing centres.

Families with more than one child using the same childcare facility receive a discount of 10-20% (TaxBEN assumes a 20% discount).

5.1.1. Discounts for part-time usage

None.

5.1.2. Fees indexation

There is no automatic indexation. Normally every 2 years, starting from the new school year, a new Cooperation Agreement is signed, which establishes the average cost prices of the services that will be performed in these 2 years.

However, for exceptional reasons (such as the Covid-19 pandemic or the increase in the cost of living), adjustments may be made to pricing costs and respective financing, normally through extensions of agreements.

5.2. Fee discounts and free provision

Variable name: **[cc_subsidy]**

The 'Free Childcare' measure was launched in the 2021-2022 school year. In the first phase of the measure, children attending childcare run by non-profit organisations that receive public subsidies and are in the 1st and 2nd income tier benefit from free childcare and do not have to pay any fee. The benefit is paid directly to the institution that provides the service and is equivalent to the family fee charged to families.

As of September 1st, 2022, the second phase of the 'Free Childcare' measure began. All children, born since September 1st, 2021, enrolled in crèches run by non-profit organisations that receive public subsidies and also in publicly hired child minders have free childcare.

From the 1st of January 2023, children enrolled in creches run by private self-financing centres benefit also from free childcare, when there is no offer by non-profit organisations in the parents' area of residence or work, depending on the admission of the private centres to the measure. In 2024, all children up to 3 will be entitled to attend ECEC free-of-charge (Law No 2/2022, 3 January for details).

5.2.1. Eligibility

See Section 5.2.3 below.

5.2.2. Amount of discount or free provision

For children born before September 1, 2021, and that do not belong to the 1st and 2nd income tier the Government provides a co-payment per child directly to service providers run by non-profit organisations via cooperation agreements between the Social Security agencies and childcare providers. The benefit for centre-base care (nursery) is EUR 329.02 in 2023/24 per month per child (EUR 473,80 for "free childcare" for children born from September 1st , 2021.

If there are disabled children, the fee corresponds to the double of the amount fixed for "Free childcare" and is upgraded with an increase of 35% in 2024 per child with disability up to the limit of the facility, not applying the family fee (Compromisso de Cooperação para o setor solidário 2023-2024).

5.2.3. Variation by income

The percentage of per capita income that parents can at most pay for childcare costs varies by income tier (defined below) and type of service as shown in the following table (2024 rules):[17]

Services and equipment	Income tiers					
	1st	2nd	3rd	4th	5th	6th
Crèche, childminder and family crèches	0%	0%	27.5%	30%	32.5%	35%
ATL (Free-Time Activity Centres) – without meals	5%	7%	10%	12.5%	15%	15%
ATL (Free-Time Activity Centres) – with meals	12.5%	15%	17.5%	20%	22.5%	22.5%
Children's Home	40%	45%	50%	50%	55%	75%

However, the maximum family fee calculated according to these rules cannot be higher than the real average cost (including administration expenses) per user of the service in question.

The calculation of the per capita income, R, is made according to the following formula:

R = (RF-D)/N, where

RF = gross monthly household income (sum of all annual household income/12). The holiday and Christmas subsidies (i.e. the 2 extra monthly wages that each Portuguese worker usually receives during a year of work) are not considered as part of the "gross monthly household income" for this purpose.

D = fixed expenses (these include tax, social contributions, house rent or mortgage payment, average monthly cost related to public transportation, medicine expenses when related to chronic illnesses). In the TaxBEN model, only rent is included in these expenses – all other expenses are assumed to be zero.

N = number of individuals of the household

The per capita income is then divided by the National Minimum Wage (NMW, EUR 820 per month for 2024). The payment tier depends on this percentage calculation as follows:

1st tier	Less than 30% of NMW
2nd tier	Between 30% and 50% of NMW
3rd tier	Between 50% and 70% of NMW
4th tier	Between 70% and 100% of NMW
5th tier	Between 100% and 150% of NMW
6th tier	More than 150% of NMW

The family fee is further reduced by 20% if more than one child from the same household uses the same facility, or by 25% if meals are not provided by the establishment or the child does not benefit from them, or if justified absent periods exceed 15 consecutive days.

The institutions may furthermore reduce, suspend or excuse the payment of the family fee in special cases on a discretionary basis when a careful socio-economic analysis of

[17] Note that TaxBEN models the case of a crèche, the case highlighted in the table.

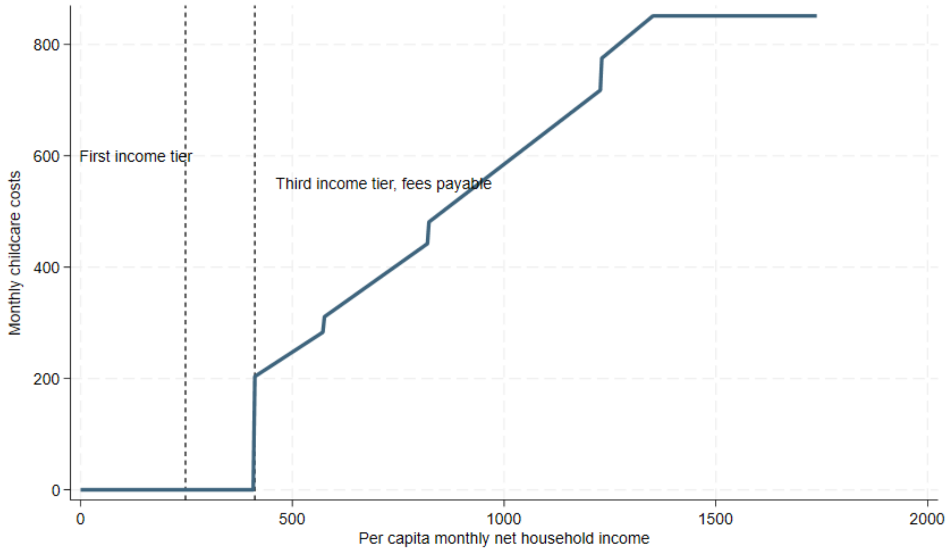
the household condition concludes that the household cannot afford those fees (not modelled).

5.2.4. Benefit indexation

There is an automatic indexation by reference to the NMW, for the calculation of the income scale that defines the family contribution.

The NMW is updated annually on January 1st.

Figure 5. Childcare costs by net household income, lone parent with two children, 2024



Note: All figures in EUR per month. Lone parent with two children aged one and two. Net household income is also net of rent.
Source: Calculations using OECD TaxBEN model.

5.3. *Child-care benefits for formal centre-based care*

Variable name: **[cc_benefit]**

None.

5.4. *Child care allowance for children not using child care centres*

None.

5.5. *Tax concessions for childcare expenditures*

Variable name: **[cc_ded]**

Childcare fees for crèches and kindergartens are considered as educational/training expenses for tax purposes.

5.5.1. Eligibility

All families paying childcare fees for crèches or kindergartens.

5.5.2. Maximum amount

Tax credit of 30% of household educational expenses up to a limit of EUR 800.

5.5.3. *Variation by income*

None. though as tax credit is not refundable it is worth less to lower-income families.

5.5.4. *Impact on overall income tax calculation*

The amount of the credit is deducted from the family's overall income tax liability, but it is non-refundable.

5.5.5. *Credit indexation*

No indexation.

6. In-work benefits

OECD note: This section provides information on employment-conditional ("in-work") benefits for employees, i.e. benefits whose eligibility is conditional on the following key requirements: 1) being regularly employed (in either the private or public sector); 2) working a certain number of hours and/or earning more than a certain minimum. This definition notably excludes 'workfare' programmes and related 'work-first' policies that make out-of-work benefits conditional on participation in work activities.

This section provides information also on *one-off* and/or *temporary* payments for benefit recipients who are out of work and make a transition into employment. This type of benefits is referred to as *transitional "into-work" benefits* in order to differentiate them from the "regular" in-work benefits that do not have any predefined maximum duration after moving into work.

Based on this definition, Portugal does not have an "in-work" benefit programme.

7. Social security contributions and payroll taxes

7.1. Social security contributions

Variable names: `[SOCSEC_p; SOCSEC_s; SSCR_p; SSCR_s]`

In 2024, employee social insurance contributions in Portugal are 11% of gross earnings, with no ceiling.

The employer's rate of social security contributions is 23.75 per cent of gross pay, with no ceiling.

The contribution rate of self-employed persons and their spouses or partners helping in the business is 21.4% A higher rate of 25.2% applies to the self-employed engaged in commercial or industrial activities and those assisting their spouse or partner in the business.

Contracting entities must pay social security contributions of 10% of turnover (when they comprise more than 80% of a self-employed worker's activity) or 7% (when the activity of the self-employed worker for the contracting entity represents between 50% and 80% of their total activity). (Note that the situation of self-employed workers is not simulated in the TaxBEN model, however).

Special rates apply to certain groups (though none of these situations are simulated in the TaxBEN model):

- Workers who have concluded pre-retirement agreements establishing the suspension or reduction of work: 8.6% employee, 18.3% employer.

- Active Workers aged 65 years or more with a 40-year insurance period: 8% employee, 17.3% employer.
- Disability pensioners: 8.9% employee, 19.3% employer.
- Old age pensioners: 7.5% employee, 16.4% employer.
- Workers with a disability: 11% employee, 11.9% employer.

7.1.1. Rates indexation

Contribution rates have remained stable for several years, being actuarially determined, following the insurance costs of social protection, and aimed at covering different events and active employment policies and professional/vocational development.

They consider the technical costs of benefits, administration expenses, labour solidarity, and active employment and professional development policies.

8. Taxes

8.1. ***Personal income tax*** *(Imposto Rendimento Singular)*

Variable name: **[IT]**

In Portugal, the standard rule is individual taxation. However, families may opt for joint taxation, which is generally more favourable.

For families that opt for joint taxation, the members of the tax unit are the two partners and their dependent children.[18] Ascendants (parents) who are dependent do not belong to the tax unit. They constitute a separate tax unit. However, if they fulfil the conditions required to be considered dependent (i.e., income below the minimum pension -see below for details) they are exempt from tax obligations.

OECD note: for couples, the OECD tax-benefit model always assumes joint taxation.

8.1.1. Tax allowances

Taxpayers in Portugal can benefit from the following deductions from the tax base. Deductions are applied at the individual level. For instance, if both partners are employed, the deduction for employment income below is applied separately to the partners' individual incomes.

Deduction for employment income: EUR 4,104. If the employee social security contributions (section 7.1) exceed this amount, the deduction is equal to the amount of those contributions. The same deduction applies to pension incomes.

Other deductions (not described as outside the scope of the OECD tax-benefit model): deduction for business and professional income, deduction for investment income, deduction for rental income, and deduction for net worth increases.

Deduction for disabled people: an amount equal to 4 x SSI/IAS, and an amount equal to 2.5 x SSI/IAS for each dependent.

[18] Dependent children includes those who are their own children, adopted children, step-children and minors under guardianship younger than 18. The definition also extends to those under 25 years of age and do not earn more than the National Minimum Wage (RMNG/MNW) or unable to earn a living and declared unfit for work.

Deduction for accompaniment of people with disabilities: per taxpayer or dependent, with degree = or > 90%, a value = 4 x IAS.

Deduction for elderly households of dependents: EUR 525. A necessary condition is that the ascendant does not earn income higher than the NMW(RMMG) and lives with the taxpayer.

The IRS Jovem is a regime that provides a total or partial exemption on income from dependent work or business and professional income earned by young people aged 18 to 26 years old for a period of 5 years. The scheme has undergone changes over the years and varies according to when the individual completed their studies and the first year of earning income from work. The individual must have completed a cycle of studies equal to or higher than a bachelor's or master's degree based on the National Qualifications Framework[19]. This exemption can only be used one time by the same taxpayer.

OECD note: only the "deduction for employment income" is included in the TaxBEN model.

8.1.2. Tax base

The tax base of the individual of the tax unit is the sum of his/her gross taxable incomes less the tax allowances and deductions described in Section 8.1.1.

Tax base of individual = Gross taxable incomes – tax allowances and deductions

All benefits described in Sections 2-6 of this report are *not taxable*. Thus, incomes from these benefits are *not* included in the tax base.

To determine the (joint) taxable income, to which the rates listed in the tax schedule below are applied (Section 8.1.3), the tax bases of the two partners (in case of married couples) are summed up and then divided by the marital quotient (1 for single people, 2 for a married couple).

8.1.3. Income tax schedule

For married couples, the sum of the tax bases of the two partners is divided by 2 *before* applying the tax rates below. The resulting amount (after applying the tax rates) is then multiplied by two to obtain the total tax liability of the married couple.

Taxable income (R)		**Tax Rate (T)**	**Amount to be deducted (EUR) (K)**
Lower limit	**Upper limit**		
0	7 703,00	13,25%	0,00
7 703,00	11 623,00	18,00%	365,89
11 623,00	16 472,00	23,00%	947,04

[19] The cycle of studies must equal to a level equal to or higher than 4 of the National Qualifications Framework, which corresponds to a qualification that is equal or higher than a bachelor's or master's degree. If the individual completed a cycle of studied at Level 8 of the National Qualifications Framework, which corresponds to a doctorate, the upper age limit extends to 30 years.

16 472,00	21 321,00	26,00%	1 441,14
21 321,00	27 146,00	32,75%	2 880,47
27 146,00	39 791,00	37,00%	4 034,17
39 791,00	51 997,00	43,50%	6 620,43
51 997,00	81 199,00	45,00%	7 400,21
Above 81 199,00		48,00%	9 836,45

The tax liability (I) is calculated as follows:

- Unmarried or single taxpayers: I = R x T - K – C
- Married taxpayers: I = { [(R : 2) x T - K] x 2 } – C

Where:

R = Taxable income, after deduction of tax allowances (see Section 8.1.1)

T = Tax rate corresponding to the taxable income bracket

K = Amount to be deducted from each bracket

C = Tax credits (see Section 8.1.4)

Married taxpayers can opt for joint taxation based on the income splitting method (see Section 8.1.2).

For example, if a single person earns EUR 13 000, their gross tax liability is calculated as: EUR 2042,96 = 13000 * 23% - 947,04

An additional solidarity tax rate surtax was introduced by the 2012 State Budget. In 2024, the surtax tax rate was 2.5%, applicable to taxable income between EUR 80 000 and EUR 250 000, and 5% for taxable income above EUR 250 000.

For residents in the Autonomous Regions of the Azores and Madeira, reduced tax rates are applicable (these rates are not simulated in the TaxBEN model).

Net Income Guarantee deduction: For taxpayers whose income stems primarily from dependent employment and pensions (earned income) and certain types of self-employments, the final tax liability resulting from the application of the tax schedule and the tax credits described in Section 8.1.4 cannot reduce the total net income of the tax unit below the *guaranteed net income* (“*mínimo de existência*”). In 2024, the guaranteed net income is the higher between the annual minimum wage (EUR 11,480) and 1.5 x 14 x Social Support Index (SSI/IAS) = EUR 10, 694.46. Hence the guaranteed net income is EUR 11,480. The same amount applies also to couples opting for individual taxation.

Tax units with 3 or more dependent children and a joint taxable income less or equal the following amounts are exempted from income tax payments. For tax units with 3 or 4 dependent children: 11,320 EUR/year in 2024. For tax units with 5 or more dependent children: 15,560 EUR/year in 2024. These amounts are divided by 2 for couples choosing individual taxation.

Box 2: Example of net income taxation for a family with children

1. Consider a couple with 3 children with a joint taxable income of 11,000 EUR per year. Since they are under the threshold of 11,320 EUR, they are exempt from income

tax payments, and their final net income is 11,000 EUR.

2. Consider a single person with two dependent children (aged 2 and 4 years) with gross annual earnings from employment of EUR 13,000. Their reference taxable income is calculated by any tax allowances subtracted from gross earnings.

Tax base = 13000 – 4104 = EUR 8896

The tax liability is then calculated as:

8896 * 18% - 365.89 = EUR 1235.39

Which results in a total net income of EUR 8896 – 1235.39 = EUR 7,660.61

The application of the tax liability and tax credits to the individual's earnings would lower it below the guaranteed net income ("mínimo de existência") of EUR 11,480. Hence their final net income is considered to be EUR 11,480.

8.1.4. Tax credits

Tax credits in Portugal are *not refundable*. If the total amount of the tax credits described below is higher than the tax liability resulting from the application of the tax schedule (section 8.1.3), the family does not receive any fiscal credits, reimbursements, or reductions of other tax liabilities (e.g. reductions of social security contributions).

- Tax credit for dependent children (2024 amounts):
  - For families with one dependent child: EUR 600 per year in 2024, increased by 126 EUR to EUR 726 if the child does not exceed three years of age by 31/12 of the tax year.
  - If the family has more than one child, the tax credit for any subsequent children has a base of 600 EUR. If the child is aged 6 and under, the tax credit for that child increases by 300 EUR to 900 EUR.

The table below shows the evolution of the tax credit for dependent children for four families and different age of the children.

Family Types	**Base deduction**	**Increase for dependents aged 3 years or under**	**Increase for the 2nd and subsequent dependents aged 6 years or under**	**Total deduction**
Family with 1 dependent aged 2 years	600 €	126 €	-	726 €
Family with 2 dependents aged 5 and 2 years	600 € + 600 €	-	300 €	1.500 €
Family with 3 dependents aged 6, 2 and 1 years	600 € + 600 € + 600 €	-	300 € + 300 €	2.400 €
Family with 3 dependents	600 € + 600 € +	126 €	300 € + 300 €	2.526 €

aged 3, 2 and 1 years	600 €			

*The age of children is expressed in years and refers to the age of the child on the 1st of January of the tax year (the OECD TaxBEN model assumes that children are all born on 1 January).

- Dependent parents / grandparents: EUR 525 for each ascendant whose income does not exceed the minimum pension benefit. When there is only one ascendant, the tax credit increases by EUR 110.
- Disability: A deduction of 4 times the Social Support Index (SSI/IAS) is provided for handicapped taxpayers and a deduction of 2.5 times the SSI/IAS is provided for handicapped dependents or ascendants. (Note that this credit is not simulated in the TaxBEN model).
- Rent: 15% of the rent paid on the primary residence, up to a maximum of EUR 600. The maximum amount is increased to EUR 900 for taxpayers in the first tax-rate bracket. For taxpayers with income between the upper limit of the first-rate bracket and EUR 30 000, the maximum amount is calculated according to the following formula:

  $$600 + \left[(900 - 600) * \frac{30000 - total\ taxable\ income\ of\ the\ tax\ unit}{30000 - upper\ limit\ of\ first\ rate\ bracket}\right].$$

  In case of joint taxation, the taxable income that enters the equation above is the sum of the taxable income of the two partners *without dividing the sum by 2*.

  Tenants receiving housing benefits such as the Extraordinary and temporary support for families (Section 3.2), cannot benefit from the rent tax credit.

  TaxBEN note: Whether tenants receiving housing benefits can additionally benefit from the rent tax credit has not been confirmed. In version 2.7.0, TaxBEN assumes tenants can only benefit from either the "Extraordinary and temporary support for tenants (Section 3.2) or the rent tax credit described above. In cases individuals are eligible for both, TaxBEN will allocate the more beneficial option. This will be updated in later versions as required.
- Mortgages: 15% of mortgage interests on the primary residence, up to maximum EUR 296. The maximum amount is increased to EUR 450 for taxpayers in the first tax rate bracket. For taxpayers with income between the upper limit of the first-rate bracket and EUR 30 000, the maximum amount is calculated according to the following formula:

  $$296 + \left[(450 - 296) * \left(\frac{30000 - total\ taxable\ income\ of\ the\ tax\ unit}{30000 - upper\ limit\ of\ first\ rate\ bracket}\right)\right].$$
- Paid alimonies: 20% of alimony payments compulsory under court order or court-approved agreement.
- Health care expenses: 15% of non-reimbursed health care costs, including those covered by Social Security, up to a limit of EUR 1000. (Note that this credit is not simulated in the TaxBEN model).
- Retirement homes expenses: 25% of the cost of sanatoriums or retirement homes for taxpayers, their ascendants and other family members up to the third collateral degree whose income does not exceed the national minimum wage up to a maximum EUR 403.75. (Note that this credit is not simulated in the TaxBEN model).
- Education and training expenses: of the taxpayer or the taxpayer's dependants: 30% of expenses, up to EUR 800. This amount can be increased up to EUR 1100

if the difference is related to leasing accommodation for a student, with the maximum deductible limit still EUR 400.

- Household general expenses: 35% of household general expenses up to a limit of EUR 250, per taxpayer; this limit is increased to 45% and EUR 335, respectively, for single parents.
- Invoice claiming: 15% of VAT paid for certain services (restaurants, lodging, hairdressers, veterinarians (at a rate of 22.5%), auto-repair, sports (at a rate of 30%) and recreational education) and 100% of VAT paid for social passes, up to a limit of EUR 250.
- Investments in Individual Retirement Savings Plans (PPRs): 20% of amounts invested, for unmarried taxpayers or for each spouse, up to: EUR 400 for taxpayers under 35; EUR 350 for taxpayers over 35 and under 50; EUR 300 for taxpayers over 50.
- Investments in Social Security Individual (SSI) accounts: 20% of amounts invested, for unmarried taxpayers or for each spouse, up to a limit of EUR 350.
- Charitable donations: 25%, limited in certain cases to 15% of the donor’s tax liability.
- Deduction of an amount corresponding to 5% of the amount borne by any member of the household as remuneration for the provision of domestic labour, up to a limit of 200 EUR.
- Deduction for people who after 5 years with a degree of disability of at least 60% are reassessed as having a degree of disability of 20% or more starts at 0.2 x IAS in the year following the reassessment, and the coefficient for IAS decreases by 0.05 each subsequent year until it reaches 0.

The *total* amount of the tax credits for the following expenses: rent, mortgages, alimonies, health care, education and training, retirement homes, house general expenses, invoice claiming, PPRs and SSI investments, and charitable donations cannot exceed the following amounts:

Taxable income (EUR)	Limit
Upper limit of first-rate bracket	No limit
Between the Upper limit of first-rate bracket and 80 000	$1000 + \left[(2500 - 1000) * \left(\frac{80\,000 - total\ taxable\ income\ of\ the\ tax\ unit}{80\,000 - \text{Upper limit of first rate bracket}}\right)\right]$
Over 80 000	EUR 1000

These limits are increased by 5% for each dependent in households with three or more dependents[20].

OECD note: the TaxBEN model includes the tax credits for dependent children and for renters (when users activate the “housing benefit for rented accommodations” option).

[20] Dependent children include those who are their own children, adopted children, step-children and minors under guardianship younger than 18. The definition also extends to those under 25 years of age and do not earn more than the National Minimum Wage (RMNG/MNW) or unable to earn a living and declared unfit for work.

8.1.5. Rates indexation

The parameters that enter the personal income tax (IRS) calculations are indexed in a different manner:

a) Social Support Index (SSI/IAS), reviewed at some frequency, never less than an annual review, but not necessarily reviewed every year.

b) NMW, reviewed annually, as a rule, on January 1st.

c) Limit for meal subsidy (*subsídio de refeição*), reviewed annually, as a rule, on January 1st.

d) Minimum pension of the general regime, reviewed annually, but more changes may occur during the calendar year, which has occurred in recent years.

Personal Tax Income updates based on indexed values refer to the entire calendar year.

8.2. Local income tax

In Portugal, there are no regional or municipal income taxes (including surcharges to the national income tax).

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Portugal in 2024 (Figure 6). TaxBEN by default produces the following output: 1) net household incomes (**black lines**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (e.g. a lone parent working at different earnings levels with two children aged 4 and 6 respectively – users are free to select many of these circumstances). The model and the related web calculator I s accessible from the project website. Figure 6 shows outputs for four scenarios:

- By gross earnings (**Panel A**);
- By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);
- By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);
- By previous employment record, for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas show the following household income components: **GROSS** = gross earnings; **SSC** = social security contributions; **IT**= income tax; **FB** = family benefits; **HB** = Housing benefits; **SA** = social assistance / Guaranteed minimum income benefits; **IW** = in-work benefit. Note that these components may be the result of the aggregation of more than one benefit into a single component. Please refer to the table of content to see the benefits included in each category.

Results in Figure 6 refer to a 2-adult family with two children. Adults are both 40 years old whereas children are 4 and 6 years old respectively. Social assistance and housing benefits are assumed to be available in all the four scenarios when the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

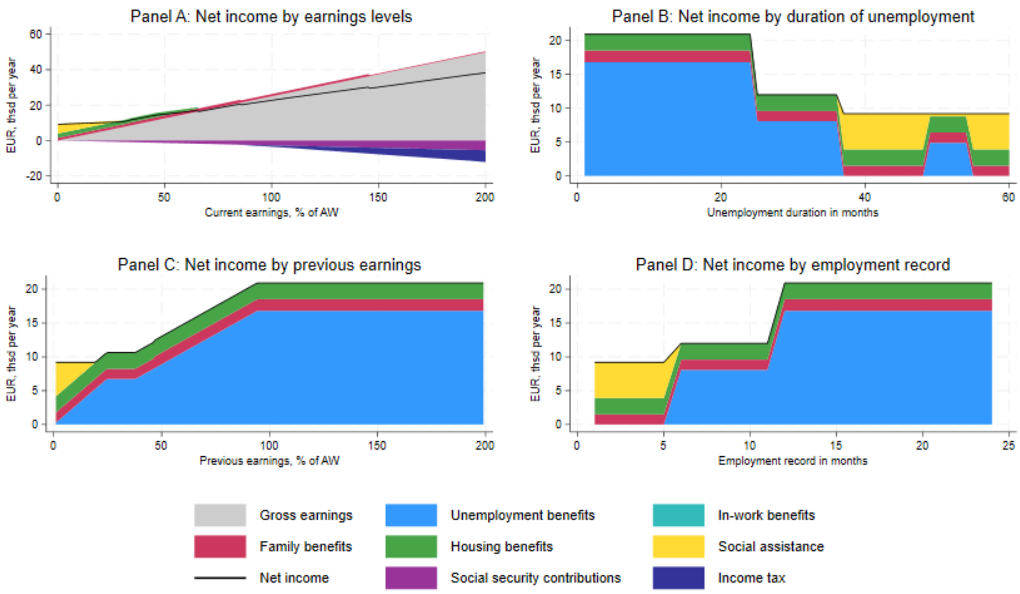
Panel A assumes that one adult family member (so-called 'spouse' using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (so-called ‘principal’) is employed full-time and full-year at different earnings levels. When earnings of the first adult are zero this person is assumed to be out of work but not receiving unemployment benefits (again, e.g. because they have expired), instead claiming social assistance or guaranteed minimum income benefits, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a ‘long’ employment record of 264 consecutive months before the job loss. The horizontal axis in Panel B measures the time of benefit receipt, starting from the first month. The horizontal axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt whereas Panel D consider the case of previous earnings equal to the average Wage. Previous earnings in Panel B are also equal to the average wage.

TaxBEN assumes the following logical sequence of benefit claims: 1) Unemployment Insurance (Section 2.1), 2) Unemployment Assistance (Section 2.2), 3) Social Assistance (Section 3.1), 4) Family Benefit (Section 4.1).

Figure 6. Selected output from the OECD Tax-Benefit model, 2024

Couple with two children.



Source: Calculations based on the OECD tax-benefit model, 2024.

Annex: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Portugal that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Scholarships

Students aged under 18 enrolled in upper secondary school who benefit from the family allowance (Section 4.1) at the first- or second-income level are also entitled to a scholarship equal to the value of the family allowance.

Parental leave benefits *(Proteção Social na Maternidade, Paternidade e Adoção)*

- Parents with registered remuneration in the compulsory social insurance scheme are entitled to receive parental leave benefits.
- The parental leave scheme includes the following situations:
- Medical risk during pregnancy
- Pregnancy interruption
- Parenting
- Adoption
- Specific risks
- Child assistance in case of illness or accident
- Disabled or chronically ill child assistance
- Specific allowance for hospitalization of the new-born
- Grandchild assistance
- Childbirth in a hospital outside the island where the pregnant woman resides

Six months of social security contributions are required to qualify for these benefits. The benefit amount is related to previous earnings, and is time limited in each case.

Social parental benefits

Parents without the necessary contribution record and in a situation of economic hardship are protected by the social parental protection scheme. The benefits give almost all parents access to a means-tested parental protection scheme independent of their working condition.

The social parental benefits include the following situations:

- Social benefit for medical risk during pregnancy
- Social benefit for pregnancy interruption
- Social parental benefit
- Social benefit for adoption
- Social benefit for specific risks

- Specific social allowance for hospitalization of the new-born.
- Childbirth in a hospital outside the island where the pregnant woman resides

In each case, the benefit amount is linked to the IAS and the benefits are means-tested and time-limited.

Social Benefit for Inclusion

This is a social benefit in force since October 2017 primarily intended for people over 18 years and under the normal retirement age (66 years and 4 months in 2024) with a degree of disability of 60% or more. It replaced a set of social benefits (the lifelong monthly allowance, the social invalidity pension and the invalidity pension for agricultural workers - transitional schemes) and is made up of three different components (a basic amount, a supplement and a top-up element) that have been implemented gradually. From 1 October 2019 it has been extended to children and young people. The maximum base amount is currently EUR 158,17 per month for beneficiaries under the age of 18, increased by 35% in case of single parent families and EUR 316,33 per month for people aged 18 or over and the maximum supplement is EUR 550,67 per month, which can be increased by 75% for each person, when there is more than one beneficiary in the family.

The basic amount can accumulate with earnings from work, with an annual maximum limit of € 11 480,00.

Financial support for energy prices:

Due to the instability in energy prices and supply chains, some supports have been introduced to help people with expenses on energy and heating.

In 2022, it was introduced the "Extraordinary Allowance to Domestic Consumers of the Electric Energy Social Tariff or Social Minima Allowances on the Purchase of Botlled Liquified Oil Gas" / "Apoio Extraordinário e Excecional aos Consumidores Domésticos Beneficiários de Tarifa Social de Energia Elétrica ou de Prestações Sociais Mínimas na Aquisição de Gás de Petróleo Liquefeito Engarrafado"[21].

The allowance was intended to the most vulnerable consumers, considering the repercussions of energetic crisis on those consumers and the economy.

The support is EUR 10 per bottle of LPG, with a limit of one unit per calendar month and per beneficiary, from September to December 2022, has been extended throughout 2023 and will be in force also in 2024.

In 2024, still within the scope of the Plan to respond to the prices growth - "Families First" / "Famílias Primeiro – Plano de Resposta ao Aumento dos Preços"[22], and the measures adopted in previous years the measure that provides for the reduction in gas tariff that allows consumers with annual gas consumption of less than or equal to 10,000 m^3, by families and small businesses, to return to the regulated tariffs for the sale of natural gas if considered more advantageous is still in force.

[21] Source : https://dre.pt/dre/detalhe/despacho/5651-b-2022-183313988.

[22] Source : Famílias Primeiro - perguntas e respostas - XXIII Governo - República Portuguesa