



Private Pensions / Annuities

As most pension arrangements in Portugal are through the social security system, the provisions in article 54 of the income tax code is virtually ignored by both the general public and professionals alike.

This article of the code provides that only 15% of an annuity pay out is subject to tax, the remaining 85% is considered a return of capital should the insurance or fund provider not provide a breakdown of the portion which constitutes capital and income. The provisions of this article apply equally to Portuguese tax payers who have made some private insurance arrangements and to expatriates settling in Portugal who have made their own private insurance arrangements.

As an example, on an annuity of €30,000 per year, only €4,500 will be subject to tax and €25,500 will be classified as return of capital and is not subject to tax.

For tax payers on the 'non habitual residency' scheme, where the benefits terminate on the 11th year of residence, the resulting taxes may not be all that unfavourable, should they have some private pension arrangements.

These provisions are particularly attractive for those who have spent a lifetime working as expats and have made their own private pension arrangements and have or intend settling in Portugal.

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